



**GEORGE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## General Information

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### Mayoral committee

Executive Mayor	MG Naik
Deputy Executive Mayor	C Clarke (Appointed February 2018)
Speaker	G Pretorius (Appointed February 2018)
Councillors	
Ward	
1	J Säfers
2	DL Cronje
3	EP De Villiers
4	M Barnardt
5	P Louw
6	HH Ingo
7	S Rooiland
8	AD Willemse
9	S Dlikilile
10	BH Mooi
11	CI Lesele
12	B Plata
13	L Langa
14	E Bussack
15	NF Mdaka
16	CH Noble
17	V Muller
18	J van der Westhuizen (Appointed May 2018) GC Niehaus (Resigned January 2018)
19	S Snyman
20	M Draghoender
21	NR James
22	G Pretorius
23	GJ Stander
24	M Daniels
25	JD Esau
26	J von Brandis
27	BM Cornelius



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**GENERAL INFORMATION**

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Proportionally elected councillors

L Arries  
N Bungane  
JP Buys  
CM Clarke  
J du Toit  
RS Figland  
J Fry  
V Gericke  
WT Harris  
N Jantjies  
A Kiwit  
IC Kritzinger  
H Loff  
MG Naik  
J Ncamazana  
PP Nosana  
MM Nyakathi  
B Petrus  
I Stemela  
EH Stroebel  
T Teyisi  
PJ van der Hoven  
GJ van Niekerk  
LD van Wyk  
DJ Wessels  
CT Williams



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**GENERAL INFORMATION**

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<b>Auditor</b>	The Auditor General of South Africa
<b>Bankers</b>	ABSA Bank Limited
<b>Registered office</b>	Civic Centre York Street 77 George 6530
<b>Postal address</b>	PO Box 19 George 6530
<b>Accounting Officer</b>	T Botha
<b>Chief Finance Officer (CFO)</b>	K Jordaan
<b>Website</b>	<a href="http://www.george.org.za">www.george.org.za</a>
<b>E-mail</b>	<a href="mailto:post@george.org.za">post@george.org.za</a>



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# George Local Municipality

## Annual Financial Statements for the year ended 30 June 2018

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#### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CIGFARO	The Chartered Institute of Government Finance Audit and Risk Officers
DBSA	Development Bank of Southern Africa
GIPTN	George Integrated Public Transport Network
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MLTF	Municipal Land Transport Fund



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## George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

### Accounting Officer's Approval of the Financial Statements

The Accounting Officer is responsible for the preparation and fair presentation of the annual financial statements of the municipality for the year ending 30 June 2018, comprising of the Statement of Financial Position as at 30 June 2018, the Statement of Financial Performance as at 30 June 2018, the Statement of Changes in Net Assets and the Cash Flow Statement, for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

The Accounting Officer's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as preparation of the supplementary schedules included in these financial statements.

The Accounting Officer has made an assessment of the municipality's ability to continue as a going concern and has no reason to believe that the municipality will not be a going concern in the year ahead.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Refer to note 30 for the disclosure of Councillor remuneration.

  
T BOTHA  
ACCOUNTING OFFICER

31 August 2018



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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	142,330,942	152,202,953
Receivables from exchange transactions	3	88,880,663	88,750,817
Receivables from non-exchange transactions	4	38,268,554	62,770,904
Prepayments	5	13,071,612	13,667,836
VAT receivable	6	3,310,259	-
Loans and receivables	7	161,391	170,376
Cash and cash equivalents	8	617,784,461	505,440,767
		<b>903,807,882</b>	<b>823,003,653</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	2,866,512,968	2,763,898,796
Intangible assets	10	1,355,437	1,433,212
Heritage assets	11	4,236,000	4,236,000
Investment property	12	152,151,814	152,088,405
Loans and receivables	7	681,180	515,302
		<b>3,024,937,399</b>	<b>2,922,171,715</b>
<b>Total Assets</b>		<b>3,928,745,281</b>	<b>3,745,175,368</b>
<b>Current Liabilities</b>			
Loans and borrowings	13	39,621,253	38,885,435
Finance lease obligation	14	4,717,554	4,533,126
Payables from exchange transactions	15	233,235,909	193,839,011
VAT payable	6	-	345,563
Consumer deposits	16	27,168,038	22,822,167
Employee benefit obligation	17	55,172,826	48,829,779
Provisions	18	2,388,295	8,880,025
Unspent conditional grants and receipts	19	75,143,780	104,809,637
		<b>437,447,655</b>	<b>422,944,743</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	13	290,220,942	309,942,195
Finance lease obligation	14	3,435,551	7,070,369
Employee benefit obligation	17	145,423,283	139,581,720
Provisions	18	90,453,253	75,939,972
Payables from exchange transactions	15	2,796,362	5,459,261
		<b>532,329,391</b>	<b>537,993,517</b>
<b>Total Liabilities</b>		<b>969,777,046</b>	<b>960,938,260</b>
<b>Net Assets</b>		<b>2,958,968,235</b>	<b>2,784,237,108</b>
Net Assets			
Housing development fund	20	62,941,145	63,214,982
Accumulated surplus		2,896,027,090	2,721,022,126
<b>Total Net Assets</b>		<b>2,958,968,235</b>	<b>2,784,237,108</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Statement of Financial Performance**

Figures in Rand	Note(s)	2018	2017
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges - Electricity	21	603,331,974	565,449,873
Service charges - Water	21	117,656,763	121,171,738
Service charges - Sewerage and sanitation charges	21	87,951,733	81,869,035
Service charges - Refuse removal	21	69,777,667	61,813,769
Rental revenue		3,271,235	3,756,370
Income from agency services	22	11,257,883	9,442,990
Licences and permits		2,741,849	2,125,807
Sale of erven		9,041,869	9,380,586
GIPTN Fare Revenue	23	39,419,283	37,301,627
Other income	24	41,410,859	29,593,762
Interest received - Outstanding Debtors	25	4,676,862	4,156,105
Interest received - External Investments	25	50,165,612	37,303,968
Gain on disposal of assets and liabilities	37	-	292,672
<b>Total revenue from exchange transactions</b>		<b>1,040,703,589</b>	<b>963,658,302</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	235,053,760	211,432,567
<b>Transfer revenue</b>			
Government grants & subsidies - Operating	27	402,554,545	310,241,313
Government grants & subsidies - Capital	27	202,852,847	149,590,523
Fines, penalties and forfeits	28	81,503,236	48,384,291
<b>Total revenue from non-exchange transactions</b>		<b>921,964,388</b>	<b>719,648,694</b>
<b>Total revenue</b>		<b>1,962,667,977</b>	<b>1,683,306,996</b>
<b>Expenditure</b>			
Employee related costs	29	468,427,935	407,026,726
Remuneration of Councillors	30	21,519,465	18,800,756
Depreciation and amortisation	31	165,172,834	155,475,216
Impairment loss	32	111,775,999	89,347,357
Finance costs	33	44,140,410	44,109,261
Bulk purchases	34	397,810,247	395,856,932
Contracted services	35	448,955,634	381,210,261
Grants and subsidies paid	36	73,355	121,750
Cost of housing sold		7,566,330	8,496,419
Loss on disposal of assets and liabilities	37	2,762,626	-
Other materials / Inventory	38	31,268,648	33,469,934
General Expenses	39	88,463,370	84,517,989
<b>Total expenditure</b>		<b>1,787,936,853</b>	<b>1,618,432,601</b>
<b>Surplus for the year</b>		<b>174,731,124</b>	<b>64,874,395</b>



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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	64,940,105	2,648,697,842	2,713,637,947
Adjustments:			
Prior year adjustments (Refer to Note 45)	-	5,724,766	5,724,766
<b>Balance at 01 July 2016 as restated</b>	<b>64,940,105</b>	<b>2,654,422,608</b>	<b>2,719,362,713</b>
Changes in net assets:			
Surplus for the year	-	64,874,395	64,874,395
Transfer to / (from) the Housing Development Fund	(1,725,123)	1,725,123	-
Total changes	(1,725,123)	66,599,518	64,874,395
<b>Balance at 01 July 2017</b>	<b>63,214,982</b>	<b>2,721,022,129</b>	<b>2,784,237,111</b>
Changes in net assets:			
Surplus for the year	-	174,731,124	174,731,124
Transfer to / (from) the Housing Development Fund	(273,837)	273,837	-
Total changes	(273,837)	175,004,961	174,731,124
<b>Balance at 30 June 2018</b>	<b>62,941,145</b>	<b>2,896,027,090</b>	<b>2,958,968,235</b>
Note(s)	20		



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Cash Flow Statement**

<b>Figures in Rand</b>	<b>Note(s)</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		244,205,691	221,296,320
Sale of goods and services		889,113,034	847,773,214
Grants		600,769,491	550,790,720
Interest income		50,165,612	37,303,968
Other receipts		57,687,725	43,689,265
		<u>1,841,941,553</u>	<u>1,700,853,487</u>
<b>Payments</b>			
Employee costs		(477,762,791)	(422,508,982)
Suppliers		(918,463,742)	(858,327,318)
Finance costs		(43,153,884)	(42,810,558)
		<u>(1,439,380,417)</u>	<u>(1,323,646,858)</u>
<b>Net cash flows from operating activities</b>	<b>40</b>	<b><u>402,561,136</u></b>	<b><u>377,206,629</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(267,337,144)	(211,220,724)
Proceeds on disposal of property, plant and equipment	9	2,284,522	953,008
Purchase of intangible assets	10	(638,570)	(943,072)
Proceeds from loans and receivables		54,718	185,902
<b>Net cash flows from investing activities</b>		<b><u>(265,636,474)</u></b>	<b><u>(211,024,886)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings	13	(18,985,435)	(20,566,458)
Repayment of finance lease liabilities		(5,595,533)	(5,497,177)
<b>Net cash flows from financing activities</b>		<b><u>(24,580,968)</u></b>	<b><u>(26,063,635)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>112,343,694</u></b>	<b><u>140,118,108</u></b>
Cash and cash equivalents at the beginning of the year		505,440,767	365,322,659
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b><u>617,784,461</u></b>	<b><u>505,440,767</u></b>



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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	231,124,108	2,780,000	<b>233,904,108</b>	235,053,760	<b>1,149,652</b>	Difference less than 10%
Service charges	874,084,116	6,405,000	<b>880,489,116</b>	878,718,137	<b>(1,770,979)</b>	Difference less than 10%
Investment revenue	36,475,750	5,402,085	<b>41,877,835</b>	54,842,474	<b>12,964,639</b>	55.1
Transfers recognised - operational	419,819,986	9,976,705	<b>429,796,691</b>	402,554,545	<b>(27,242,146)</b>	Difference less than 10%
Other own revenue	187,811,449	(22,486,668)	<b>165,324,781</b>	188,646,214	<b>23,321,433</b>	55.17
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,749,315,409</b>	<b>2,077,122</b>	<b>1,751,392,531</b>	<b>1,759,815,130</b>	<b>8,422,599</b>	
<b>Expenditure by type</b>						
Employee costs	456,094,572	24,352,845	<b>480,447,417</b>	468,427,935	<b>(12,019,482)</b>	Difference less than 10%
Remuneration of Councillors	22,269,339	-	<b>22,269,339</b>	21,519,465	<b>(749,874)</b>	Difference less than 10%
Debt impairment	64,138,560	-	<b>64,138,560</b>	111,775,999	<b>47,637,439</b>	55.2
Depreciation and asset impairment	156,878,423	(369,030)	<b>156,509,393</b>	165,172,834	<b>8,663,441</b>	Difference less than 10%
Finance charges	38,103,660	6,162	<b>38,109,822</b>	44,140,410	<b>6,030,588</b>	55.3
Materials and bulk purchases	444,138,190	371,140	<b>444,509,330</b>	436,645,226	<b>(7,864,104)</b>	Difference less than 10%
Transfers and grants	200,000	1,000,000	<b>1,200,000</b>	73,355	<b>(1,126,645)</b>	55.4
Other expenditure	627,064,834	(36,180,470)	<b>590,884,364</b>	540,181,629	<b>(50,702,735)</b>	Difference less than 10%
<b>Total expenditure</b>	<b>1,808,887,578</b>	<b>(10,819,353)</b>	<b>1,798,068,225</b>	<b>1,787,936,853</b>	<b>(10,131,372)</b>	
<b>Surplus / (Deficit)</b>	<b>(59,572,169)</b>	<b>12,896,475</b>	<b>(46,675,694)</b>	<b>(28,121,723)</b>	<b>18,553,971</b>	
Transfers recognised - capital	200,913,362	49,735,349	<b>250,648,711</b>	202,852,847	<b>(47,795,864)</b>	55.5
<b>Surplus for the year</b>	<b>141,341,193</b>	<b>62,631,824</b>	<b>203,973,017</b>	<b>174,731,124</b>	<b>(29,241,893)</b>	



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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Capital expenditure</b>						
<b>Assets</b>						
<b>Capital expenditure by vote</b>						
Executive and Council	11,258,500	(129,200)	<b>11,129,300</b>	629,614	<b>(10,499,686)</b>	55.16
Finance and administration	7,635,400	(1,242,750)	<b>6,392,650</b>	5,173,501	<b>(1,219,149)</b>	55.6
Community and social services	4,352,400	1,064,575	<b>5,416,975</b>	3,451,700	<b>(1,965,275)</b>	55.7
Sport and recreation	6,788,000	2,669,300	<b>9,457,300</b>	8,846,738	<b>(610,562)</b>	Difference less than 10%
Public safety	1,340,000	1,046,690	<b>2,386,690</b>	1,608,361	<b>(778,329)</b>	55.8
Housing	260,000	1,286,423	<b>1,546,423</b>	1,503,650	<b>(42,773)</b>	Difference less than 10%
Planning and development	611,500	(239,915)	<b>371,585</b>	330,243	<b>(41,342)</b>	55.9
Road transport	115,043,662	37,192,381	<b>152,236,043</b>	128,694,914	<b>(23,541,129)</b>	55.10
Electricity	72,299,630	(28,294,000)	<b>44,005,630</b>	31,873,286	<b>(12,132,344)</b>	55.11
Water	47,863,680	(6,384,000)	<b>41,479,680</b>	29,167,856	<b>(12,311,824)</b>	55.12
Waste water management	61,663,100	1,119,900	<b>62,783,000</b>	49,123,741	<b>(13,659,259)</b>	55.13
Waste management	11,650,000	1,664,000	<b>13,314,000</b>	8,642,385	<b>(4,671,615)</b>	55.14
Other	166,000	-	<b>166,000</b>	85,376	<b>(80,624)</b>	55.15
	<b>340,931,872</b>	<b>9,753,404</b>	<b>350,685,276</b>	<b>269,131,365</b>	<b>(81,553,911)</b>	
<b>Sources of Capital Funds</b>						
Transfers recognised - capital	230,314,992	7,908,785	<b>238,223,777</b>	196,287,730	<b>(41,936,047)</b>	
Borrowings	19,900,000	3,218,700	<b>23,118,700</b>	19,525,259	<b>(3,593,441)</b>	
Internally generated funds	90,716,880	(1,374,081)	<b>89,342,799</b>	53,318,376	<b>(36,024,423)</b>	
	<b>340,931,872</b>	<b>9,753,404</b>	<b>350,685,276</b>	<b>269,131,365</b>	<b>(81,553,911)</b>	
<b>Capitalisation consist of the following:</b>						
Property, plant and equipment additions				268,497,795		9
Intangible assets				638,570		10
				<b>269,136,365</b>		



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Categories of financial instruments carried at amortised cost</b>											
<b>Financial Performance</b>											
Property rates	231,124,108	2,780,000	233,904,108	-		233,904,108	235,053,760		1,149,652	100 %	102 %
Service charges	874,084,116	6,405,000	880,489,116	-		880,489,116	878,718,137		(1,770,979)	100 %	101 %
Investment revenue	36,475,750	5,402,085	41,877,835	-		41,877,835	54,842,474		12,964,639	131 %	150 %
Transfers recognised - operational	419,819,986	9,976,705	429,796,691	-		429,796,691	402,554,545		(27,242,146)	94 %	96 %
Other own revenue	187,811,449	(22,486,668)	165,324,781	-		165,324,781	188,646,214		23,321,433	114 %	100 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,749,315,409</b>	<b>2,077,122</b>	<b>1,751,392,531</b>	<b>-</b>		<b>1,751,392,531</b>	<b>1,759,815,130</b>		<b>8,422,599</b>	<b>100 %</b>	<b>101 %</b>
Employee costs	456,094,572	15,751,088	471,845,660	-	8,601,757	480,447,417	468,427,935	-	(12,019,482)	97 %	103 %
Remuneration of Councillors	22,269,339	-	22,269,339	-	-	22,269,339	21,519,465	-	(749,874)	97 %	97 %
Debt impairment	64,138,560	-	64,138,560			64,138,560	111,775,999	47,637,439	47,637,439	174 %	174 %
Depreciation and asset impairment	156,878,423	(369,030)	156,509,393			156,509,393	165,172,834	8,663,441	8,663,441	106 %	105 %
Finance charges	38,103,660	6,162	38,109,822	-	-	38,109,822	44,140,410	6,030,588	6,030,588	116 %	116 %
Materials and bulk purchases	444,138,109	1,004,640	445,142,749	-	(633,500)	444,509,249	436,645,226	-	(7,864,023)	98 %	98 %
Transfers and grants	200,000	1,000,000	1,200,000	-	-	1,200,000	73,355	-	(1,126,645)	6 %	37 %
Other expenditure	627,064,834	(28,212,213)	598,852,621	-	(7,968,257)	590,884,364	540,181,629	-	(50,702,735)	91 %	86 %
<b>Total expenditure</b>	<b>1,808,887,497</b>	<b>(10,819,353)</b>	<b>1,798,068,144</b>	<b>-</b>	<b>-</b>	<b>1,798,068,144</b>	<b>1,787,936,853</b>	<b>62,331,468</b>	<b>(10,131,291)</b>	<b>99 %</b>	<b>99 %</b>
<b>Surplus/(Deficit)</b>	<b>(59,572,088)</b>	<b>12,896,475</b>	<b>(46,675,613)</b>	<b>-</b>		<b>(46,675,613)</b>	<b>(28,121,723)</b>		<b>18,553,890</b>	<b>60 %</b>	<b>47 %</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	200,913,362	49,735,349	250,648,711	-		250,648,711	202,852,847		(47,795,864)	81 %	101 %
<b>Surplus/(Deficit) for the year</b>	<b>141,341,274</b>	<b>62,631,824</b>	<b>203,973,098</b>	-		<b>203,973,098</b>	<b>174,731,124</b>		<b>(29,241,974)</b>	<b>86 %</b>	<b>124 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	340,931,872	9,753,404	350,685,276	-		350,685,276	269,131,364		(81,553,912)	77 %	79 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	230,314,992	7,908,785	238,223,777	-		238,223,777	196,287,730		(41,936,047)	82 %	85 %
Borrowing	19,900,000	3,218,700	23,118,700	-		23,118,700	19,525,259		(3,593,441)	84 %	98 %
Internally generated funds	90,716,880	(1,374,081)	89,342,799	-		89,342,799	53,318,375		(36,024,424)	60 %	59 %
<b>Total sources of capital funds</b>	<b>340,931,872</b>	<b>9,753,404</b>	<b>350,685,276</b>	-		<b>350,685,276</b>	<b>269,131,364</b>		<b>(81,553,912)</b>	<b>77 %</b>	<b>79 %</b>



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	345,186,709	-	345,186,709	-		345,186,709	402,561,136		57,374,427	117 %	117 %
Net cash from (used) investing	(295,339,736)	(16,488,400)	(311,828,136)	-		(311,828,136)	(265,636,474)		46,191,662	85 %	90 %
Net cash from (used) financing	(19,771,742)	-	(19,771,742)	-		(19,771,742)	(24,580,968)		(4,809,226)	124 %	124 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>30,075,231</b>	<b>(16,488,400)</b>	<b>13,586,831</b>	<b>-</b>		<b>13,586,831</b>	<b>112,343,694</b>		<b>98,756,863</b>	<b>827 %</b>	<b>374 %</b>
Cash and cash equivalents at the beginning of the year	505,440,767	-	505,440,767	-		505,440,767	505,440,767		-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>535,515,998</b>	<b>(16,488,400)</b>	<b>519,027,598</b>	<b>-</b>		<b>519,027,598</b>	<b>617,784,461</b>		<b>(98,756,863)</b>	<b>119 %</b>	<b>115 %</b>



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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2017</b>				
<b>Financial Performance</b>				
Property rates				211,432,567
Service charges				830,304,415
Investment revenue				41,460,073
Transfers recognised - operational				310,241,313
Other own revenue				119,514,410
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>1,512,952,778</b>
Employee costs	-	-	-	(407,026,726)
Remuneration of councillors	-	-	-	(18,800,756)
Debt impairment	25,529,614	25,529,614	-	(89,347,357)
Depreciation and asset impairment	-	-	-	(155,475,216)
Finance charges	4,788,936	4,788,936	-	(44,109,261)
Bulk purchases	-	-	-	(395,856,932)
Other materials	5,801,824	5,801,824	-	(41,966,353)
Transfers and grants	-	-	-	(121,750)
Other expenditure	97,823	97,823	-	(465,728,250)
<b>Total expenditure</b>	<b>36,218,197</b>	<b>36,218,197</b>	<b>-</b>	<b>(1,618,432,601)</b>
<b>Surplus/(Deficit)</b>				<b>(105,479,823)</b>
Transfers recognised - capital				149,590,522
Contributions recognised - capital and contributed assets				20,763,696
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>64,874,395</b>
<b>Surplus/(Deficit) for the year</b>				<b>64,874,395</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				213,537,393
<b>Sources of capital funds</b>				
Transfers recognised - capital				145,307,498
Public contributions and donations				504,253
Borrowing				18,492,539
Internally generated funds				49,233,103
<b>Total sources of capital funds</b>				<b>213,537,393</b>
<b>Cash flows</b>				
Net cash from (used) operating				377,206,629
Net cash from (used) investing				(211,024,886)
Net cash from (used) financing				(26,063,635)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>140,118,108</b>
Cash and cash equivalents at the beginning of the year				365,322,659
<b>Cash and cash equivalents at year end</b>				<b>505,440,767</b>



## Accounting Policies

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George Municipality is a local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed under General Information. Refer to page 3.

The accounting policies for the municipality are:

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period unless explicitly stated otherwise. The details of changes in accounting policies are explained in the relevant notes to the financial statements.

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective:

Standard	Description	Effective Date (Year starting on)
GRAP 20	Related Party Disclosure	1 April 2019

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date (Year starting on)
GRAP 18	Segment Reporting Presentation of the financial statements will be affected by this standard.	1 April 2020
GRAP 32	Service Concession Arrangements : Grantor No significant impact is expected.	1 April 2019
GRAP 34	Separate Financial Statements No significant impact is expected.	Unknown
GRAP 35	Consolidated Financial Statements No significant impact is expected.	Unknown
GRAP 36	Investments in Associates and Joint Ventures No significant impact is expected.	Unknown
GRAP 37	Joint Arrangements No significant impact is expected.	Unknown

## Accounting Policies

Standard	Description	Effective Date (Year starting on)
GRAP 38	Disclosure of interest in Other Entities No significant impact is expected.	Unknown
GRAP 108	Statutory Receivables Disclosure of information in the notes to the financial statements will be affected.	1 April 2019
GRAP 109	Accounting by Principals and Agents Disclosure of information in the notes to the financial statements will be affected.	1 April 2019
GRAP 110	Living and non-living resources No significant impact is expected.	1 April 2020
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset No significant impact is expected.	1 April 2019
IGRAP 18	Recognition and derecognition of land No significant impact is expected.	1 April 2019
IGRAP19	Liabilities to pay levies No significant impact is expected.	1 April 2019
Guideline	Accounting for Arrangements Undertaken in terms of the National Housing Program No significant impact is expected.	Unknown

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### 1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure. This indicator is from management's perspective and does not necessarily correlate with the auditors' materiality.

### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

## **Accounting Policies**

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### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements include:

#### **Property, plant and equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### **Intangible assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

#### **Investment property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

#### **Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Additional disclosures of these estimates of provisions are included in notes 18 and 43.

#### **Post retirement medical obligations, long service awards and ex gratia gratuities**

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

#### **Impairment of receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.



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## **Accounting Policies**

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### **1.5 Property, plant and equipment**

#### **Recognition and measurement**

Property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, where applicable.

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and other directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

The cost of day-to-day servicing of property, plant and equipment is recognised in surplus or deficit as incurred.

#### **Leased assets**

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Vehicles and office equipment acquired by way of finance leases are measured upon initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Leased assets are depreciated over the lesser of the useful life or lease term.

#### **Subsequent costs**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

#### **Depreciation**

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life in years
Infrastructure	
• Electricity	20 - 30
• Roads and paving	10 - 30
• Water	15 - 20
• Gas	20
• Sewerage	3 - 30
• Security measures	3 - 15
Community	
• Buildings	3 - 30
• Recreational facilities	20
Other	
• Office equipment	5 - 10
• Furniture and fittings	7 - 10
• Bins and containers	5 - 10
• Emergency equipment	5 - 15
• Motor vehicles	5 - 20
• Watercraft	15
• Plant and equipment	5 - 15
Other - GIPTN buses	
• Buses	6 - 12
Land and buildings	
• Buildings	30
• Land	Indefinite

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.



## **Accounting Policies**

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### **1.5 Property, plant and equipment (continued)**

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Property, plant and equipment are not used as security unless stated otherwise in the notes.

### **1.6 Investment property**

#### **Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Investment property acquired at no or nominal consideration is initially recognised at fair value and subsequently carried at the initially determined fair value less accumulated depreciation and accumulated impairment losses.

#### **Subsequent Measurement**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **Depreciation**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Investment Property	Years
Buildings	30
Land	Indefinite

## **Accounting Policies**

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### **1.6 Investment property (continued)**

#### **Derecognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Investment property is not used as security unless stated otherwise in the notes.

### **1.7 Heritage assets**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are not used as security unless stated otherwise in the notes.

#### **Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### **Initial measurement**

Heritage assets are measured at cost less any accumulated impairment loss.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### **Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### **Impairment**

The municipality assess at each reporting date whether there is an indication that the heritage assets may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### **Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### **Derecognition**

The municipality derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## **Accounting Policies**

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### **1.8 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criteria in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Intangible assets are not used as security unless stated otherwise in the notes.

#### **Subsequent measurement**

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the municipality.

Intangible assets consist of computer software and amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 5 to 10 years. (2017: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount or recoverable service amount.

Amortisation methods and useful lives are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

#### **Derecognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



## Accounting Policies

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### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange of financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange of financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

#### Classification

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

#### Class

Trade receivables from exchange transactions  
Trade and other receivables from non-exchange transactions  
Loans and receivables  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost

## Accounting Policies

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### 1.9 Financial instruments (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Loans and borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability in the case of a financial asset or financial liability not subsequently measured at fair value.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### **Derecognition**

##### **Financial assets**

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### **Financial liabilities**

The municipality removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Financial instruments are not used as security unless stated otherwise in the notes.

## **Accounting Policies**

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### **1.10 Cash and cash equivalents**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### **1.11 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, the municipality assesses the classification of each element separately.

#### **The Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

#### **The Municipality as Lessee**

Under a finance lease, property, plant and equipment or intangible assets, except intangible assets such as licensing agreements, subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the lower of the asset's fair value or the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.



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## **Accounting Policies**

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### **1.12 Inventories**

Inventories, consisting of consumable stores, raw materials and properties held for sale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory is being measured by multiplying the cost per kilo-litre of purified water by the amount of water in storage.

Unsold properties held for sale are valued at the lower of cost and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The net realisable value for this class of inventory is assessed each year by comparing the current book value to recent sales of properties in each area.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Even used for housing developments are properties that were part of the commonage when the municipality was established and the municipality received these properties at no or nominal consideration. The value of these properties is deemed to be equal to their fair value on the date of acquisition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventory is not used as security unless stated otherwise in the notes.

### **1.13 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

## **Accounting Policies**

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### **1.13 Impairment of cash-generating assets (continued)**

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating asset with an indefinite useful life or a cash-generating asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually. If an asset was initially recognised during the current reporting period, that asset was tested for impairment before the end of the current reporting period.

#### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is required in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



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## **Accounting Policies**

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### **1.13 Impairment of cash-generating assets (continued)**

#### **Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in the Statement of Financial Performance.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **1.14 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.



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## **Accounting Policies**

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### **1.14 Impairment of non-cash-generating assets (continued)**

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



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## **Accounting Policies**

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### **1.14 Impairment of non-cash-generating assets (continued)**

#### **Reversal of an impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.15 Employee benefits**

Employee benefits are all forms of consideration given by a municipality in exchange for services rendered by employees.

#### **Short-term employee benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### **Long-service award**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments set-off against the liability, including notional interest, resulting from the valuation by the actuaries, are charged against the Statement of Financial Performance.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs.

#### **Accrued leave pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

## **Accounting Policies**

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### **1.15 Employee benefits (continued)**

#### **Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonuses accrued at year end for each employee.

#### **Post-employment benefits**

Post-employment benefits are benefits paid for current employees to provide for their retirement.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The Municipality provides post retirement benefits for its employees. Council pays 70% as contributions and the remaining 30% are paid by the members.

These obligations are valued periodically by independent qualified actuaries.

#### **Multi-employer Defined Benefit and Defined Contribution Plans**

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 17 of the Financial Statements for details)

#### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.



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### **1.15 Employee benefits (continued)**

#### **Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted.

Actuarial gains and losses comprise of adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;

## **Accounting Policies**

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### **1.15 Employee benefits (continued)**

- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above are recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).



## **Accounting Policies**

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### **1.15 Employee benefits (continued)**

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### **Other post retirement obligations**

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined on an annual basis (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that they occur. These obligations are valued periodically by independent qualified actuaries.

### **1.16 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate.

## **Accounting Policies**

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### **1.16 Provisions, contingent liabilities and contingent assets (continued)**

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

### **1.17 Unspent conditional government grants and receipts**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the operating account of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### **1.18 Conditional government grants and subsidies receivables**

Conditional government grants and subsidies receivable are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provision is set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

### **1.19 Grant-in-aid**

The municipality transfers money to individuals, organisations and other sectors of government from time to time in accordance with Section 67 of the MFMA. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## **Accounting Policies**

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### **1.20 Revenue**

Revenue includes rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be reliably measured, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value-added tax, estimated returns, rebates and discounts. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

#### **Revenue from Exchange Transactions**

##### **Service Charges**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

##### **Pre-paid electricity**

Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage.

##### **Interest earned and rentals received**

Interest income is recognised in the Statement of Financial Performance as it accrues, using the effective interest rate method. Rental income is recognised on a straight-line basis over the lease term. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

##### **Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.



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## **Accounting Policies**

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### **1.20 Revenue (continued)**

#### **Agency commission**

Commission for agency services is recognised on a monthly basis once the income collected on behalf of the principals has been quantified. The income recognised is in terms of the agency agreement.

#### **Housing rental and instalments**

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

#### **Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

#### **GIPTN Fare Revenue**

Bus tickets are sold as single journey tickets or multi journey tickets. Single journey tickets buy the ticket holder a one hour passage on any of the buses from the time the ticket is cancelled by the bus driver. A multi journey ticket is a ticket with ten hourly passages. Tickets are recognised as fare revenue when sold.

#### **Revenue from non-exchange transactions**

##### **Rates and taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### **Fines**

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised on the date which the offense occurred. In cases where fines and summonses are issued by another government institution, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institution/departments.

##### **Donations and Contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the property, plant and equipment received or receivable. Contributed property, plant and equipment are recognised when the risks and rewards of ownership have transferred to the municipality.

##### **Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

##### **Unconditional grant**

An unconditional grant is recognised in the Statement of Financial Performance when the grant is receivable.



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## **Accounting Policies**

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### **1.20 Revenue (continued)**

#### **Conditional grants and receipts**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Grants that compensate the municipality for expenses incurred are recognised in the Statement of Financial Performance on a systematic basis in the same periods in which the expenses are recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not it is recognised as interest earned in the Statement of Financial Performance.

### **1.21 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.22 Value Added Tax**

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

The municipality accounts for Value Added Tax on the payment basis. The municipality is liable to account for Value Added Tax at the standard rate (14% up to 31 March 2018 and 15% from 1 April 2018) in terms of section 7(1) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or are out of scope for VAT purposes. The timing of payments to or from the South African Revenue Service is the last day of each of the twelve months of the financial year.

### **1.23 Housing Development Fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.



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## **Accounting Policies**

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### **1.24 Municipal Land Transport Fund**

The municipality, jointly with the Provincial Government of the Western Cape via its Department of Transport and Public Works, has implemented the George Integrated Public Transport Network for the delivery of public transport services in the George municipal area.

The National Land Transport Act, (Act No. 5 of 2009) requires that a municipality establishing an integrated public transport network must establish a Municipal Land Transport Fund in terms of Section 27 of the Act. Money appropriated by the Minister and / or MEC for the Fund, user charges collected and interest on invested cash balances belonging to the Fund, should be paid into the fund. The fund is utilised to defray the costs of the functions in terms of its integrated transport plan.

The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

The Municipal Land Transport Fund is treated as a ring fenced cost centre within the municipality. Refer to note 54 for more detail.

### **1.25 Capital commitments**

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### **1.26 Events after reporting date**

Events after the reporting date that are classified as adjusting events are accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the financial statements.

### **1.27 Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that members of management in their dealings with the municipality.

All transactions with related parties are disclosed.



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## **Accounting Policies**

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### **1.28 Budget information**

The Municipality is subject to budgetary limits in the form of a Council approved budget, which is given effect through authorising legislation.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting except for certain accounting entries (e.g. movement in legal provisions) therefore a reconciliation between the Statement of Financial Performance and the budget has been included in the annual financial statements. Refer to the Statement of Comparison of Budget and Actual Amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item or amounts greater than R250,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - Refer to note 55.

### **1.29 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Unauthorised expenditure is submitted to Council after year end for authorisation.

### **1.30 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.31 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.32 Comparative information**

#### **Prior year comparatives**

When the presentation or classification of items in the financial statements is amended, comparative amounts are restated or reclassified except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the amendment. The nature and reason for the restatement or reclassification is disclosed in note 45.

## **Accounting Policies**

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### **1.33 Change in accounting policies, estimates and errors**

Changes in accounting policies that are effected by management are applied retrospectively except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively. Details of changes in estimates are disclosed in the notes to the financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 45 of the financial statements for details of corrections of errors recorded during the period under review.



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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>2. Inventories</b>		
Consumable stores - at cost	5,825,317	8,269,275
Maintenance materials, chemicals and water reserve - at cost	7,045,176	9,168,494
Purified water	381,735	367,569
Property Developments - at cost	141,633	141,633
Unsold Properties Held for Resale - at net realisable value	128,937,081	134,255,981
	<b>142,330,942</b>	<b>152,202,953</b>

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues were R19,630,111 (2017: R18,604,357) and RNil (2017: RNil) in respect of inventory written down to net realisable value.

Erven used for housing developments are measured as per accounting policy 1.12.

### 3. Trade receivables from exchange transactions

Service debtors	84,030,719	83,958,994
Other exchange receivables	4,849,944	4,791,823
Prepaid electricity	3,948,348	4,352,449
Rental debtors	582,006	232,994
GIPTN fare revenue	319,590	206,380
	<b>88,880,663</b>	<b>88,750,817</b>

#### Gross balances

Electricity	66,461,649	51,968,855
Water	88,028,362	86,577,980
Sewerage	27,214,558	29,549,207
Refuse	22,019,207	23,362,920
Housing loan instalments	532,119	534,980
Housing rental	125,702	413,278
Other consumer debtors	9,842,857	8,378,378
	<b>214,224,454</b>	<b>200,785,598</b>

#### Less: Allowance for impairment

Electricity	7,841,490	4,898,562
Water	78,501,700	72,276,943
Sewerage	19,451,156	21,057,171
Refuse	15,235,911	16,659,163
Housing loan instalments	464,208	492,393
Housing rental	81,012	356,895
Other consumer debtors	8,618,258	1,085,477
	<b>130,193,735</b>	<b>116,826,604</b>



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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Electricity	58,620,159	47,070,293
Water	9,526,662	14,301,037
Sewerage	7,763,402	8,492,036
Refuse	6,783,296	6,703,757
Housing loan instalments	67,911	42,587
Housing rental	44,690	56,383
Other consumer debtors	1,224,599	7,292,901
	<b>84,030,719</b>	<b>83,958,994</b>
<b>The ageing of trade receivables from exchange transactions consist of the following:</b>		
<b>Electricity</b>		
Current (0 -30 days)	54,456,897	36,653,761
31 - 60 days	2,782,782	3,049,875
61 - 90 days	811,367	1,743,191
91 - 120 days	564,310	936,098
121 - 365 days	7,846,293	9,585,930
Less: Allowance for impairment	(7,841,490)	(4,898,562)
	<b>58,620,159</b>	<b>47,070,293</b>
<b>Water</b>		
Current (0 -30 days)	15,284,256	17,486,566
31 - 60 days	2,365,063	3,345,392
61 - 90 days	1,757,145	2,623,319
91 - 120 days	2,083,927	2,464,855
121 - 365 days	66,537,971	60,657,848
Less: Allowance for impairment	(78,501,700)	(72,276,943)
	<b>9,526,662</b>	<b>14,301,037</b>
<b>Sewerage</b>		
Current (0 -30 days)	8,691,957	7,509,485
31 - 60 days	1,599,180	1,632,869
61 - 90 days	968,133	1,053,862
91 - 120 days	739,859	838,242
121 - 365 days	15,215,429	18,514,749
Less: Allowance for impairment	(19,451,156)	(21,057,171)
	<b>7,763,402</b>	<b>8,492,036</b>
<b>Refuse</b>		
Current (0 -30 days)	7,497,938	6,371,917
31 - 60 days	1,394,624	1,360,631
61 - 90 days	882,848	926,986
91 - 120 days	671,517	706,026
121 - 365 days	11,572,280	13,997,360
Less: Allowance for impairment	(15,235,911)	(16,659,163)
	<b>6,783,296</b>	<b>6,703,757</b>



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2018</b>	<b>2017</b>
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Housing loans instalments</b>		
Current (0 -30 days)	31,854	49,111
31 - 60 days	7,470	10,921
61 - 90 days	6,465	8,983
91 - 120 days	5,781	9,219
121 - 365 days	480,549	456,746
Less: Allowance for impairment	(464,208)	(492,393)
	<b>67,911</b>	<b>42,587</b>
<b>Housing rental</b>		
Current (0 -30 days)	41,945	44,659
31 - 60 days	15,754	13,309
61 - 90 days	11,278	9,710
91 - 120 days	10,369	7,132
121 - 365 days	46,356	338,468
Less: Allowance for impairment	(81,012)	(356,895)
	<b>44,690</b>	<b>56,383</b>
<b>Other consumer debtors</b>		
Current (0 -30 days)	1,106,093	782,473
31 - 60 days	689,269	25,827
61 - 90 days	330,608	293,790
91 - 120 days	251,273	227,534
121 - 365 days	7,465,614	7,048,754
Less: Allowance for impairment	(8,618,258)	(1,085,477)
	<b>1,224,599</b>	<b>7,292,901</b>
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	35,252,281	34,288,247
31 - 60 days	6,995,454	7,101,622
61 - 90 days	3,968,960	5,683,630
91 - 120 days	3,693,845	4,230,014
121 - 365 days	101,064,350	101,877,003
Less: Allowance for impairment	(122,347,439)	(110,945,740)
	<b>28,627,451</b>	<b>42,234,776</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	48,543,474	31,325,482
31 - 60 days	1,296,852	1,186,544
61 - 90 days	427,515	472,298
91 - 120 days	275,901	619,177
121 - 365 days	7,251,830	8,499,118
Less: Allowance for impairment	(7,846,296)	(5,880,865)
	<b>49,949,276</b>	<b>36,221,754</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Notes to the Annual Financial Statements**

Figures in Rand	2018	2017		
3. Trade receivables from exchange transactions (continued)				
National and provincial government				
Current (0 -30 days)	3,315,187	3,284,239		
31 - 60 days	561,837	1,150,659		
61 - 90 days	371,368	503,913		
91 - 120 days	357,289	339,914		
121 - 365 days	848,311	223,738		
	<b>5,453,992</b>	<b>5,502,463</b>		
Total				
Current (0 -30 days)	87,110,942	68,897,969		
31 - 60 days	8,854,143	9,438,825		
61 - 90 days	4,767,843	6,659,841		
91 - 120 days	4,327,035	5,189,105		
121 - 365 days	109,164,491	110,599,859		
	214,224,454	200,785,599		
Less: Allowance for impairment	(130,193,735)	(116,826,605)		
	<b>84,030,719</b>	<b>83,958,994</b>		
Reconciliation of allowance for impairment for receivables from exchange transactions				
2018	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	4,898,562	3,096,820	(153,892)	7,841,490
Water	72,276,943	21,364,592	(15,139,835)	78,501,700
Sewerage	21,057,171	6,523,987	(8,130,002)	19,451,156
Refuse	16,659,163	5,623,265	(7,046,517)	15,235,911
Housing loan instalments	492,394	(28,186)	-	464,208
Housing rentals	356,895	(275,883)	-	81,012
Other consumer debtors	1,085,477	7,586,805	(54,024)	8,618,258
	<b>116,826,605</b>	<b>43,891,400</b>	<b>(30,524,270)</b>	<b>130,193,735</b>
2017	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	5,876,019	(939,070)	(38,387)	4,898,562
Water	50,772,525	30,188,275	(8,683,856)	72,276,944
Sewerage	16,768,705	9,309,065	(5,020,599)	21,057,171
Refuse	12,636,117	8,046,261	(4,023,215)	16,659,163
Housing loan instalments	378,709	113,684	-	492,393
Housing rentals	383,666	(26,771)	-	356,895
Other consumer debtors	1,088,060	24,118	(26,701)	1,085,477
	<b>87,903,801</b>	<b>46,715,562</b>	<b>(17,792,758)</b>	<b>116,826,605</b>
Total debtors past due but not impaired			2018	2017
31 - 60 days			5,713,532	2,221,213
61 - 90 days			2,113,685	2,068,231
91 - 120 days			1,675,502	1,182,224
121 - 365 days			7,997,057	12,808,900
			<b>17,499,776</b>	<b>18,280,568</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Notes to the Annual Financial Statements**

Figures in Rand	2018	2017
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Credit quality of consumer debtors</b>		
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
<b>4. Receivables from non-exchange transactions</b>		
<b>Taxation receivables</b>		
Net Rates	18,278,162	20,586,069
Gross rates	33,259,057	32,154,333
Allowance for impairment on rates	(14,980,895)	(11,568,264)
<b>Transfer receivables</b>		
Net Fines	11,200,392	9,135,978
Fines	114,369,809	85,588,735
Allowance for impairment on fines	(103,169,417)	(76,452,757)
Conditional government grants and subsidies receivable (Refer note 19)	4,196,365	29,224,324
<b>Other receivables</b>		
Sundry receivables	4,593,635	3,824,533
Allowance for impairment on sundry receivables	4,685,783	3,488,846
	(792,583)	(802,713)
Non-cash portion of Housing Development Fund	588,291	1,012,475
Operating lease receivables	112,144	125,925
	<b>38,268,554</b>	<b>62,770,904</b>
<b>The ageing of trade receivables from non-exchange transactions</b>		
<b>Rates</b>		
Current (0 -30 days)	15,145,343	13,582,238
31 - 60 days	2,714,141	2,295,219
61 - 90 days	1,363,984	1,248,023
91 - 120 days	920,608	805,210
121 - 365 days	13,114,981	14,223,643
Less: Allowance for impairment	(14,980,895)	(11,568,264)
	<b>18,278,162</b>	<b>20,586,069</b>



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**George Local Municipality**  
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**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2018</b>	<b>2017</b>
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Summary of Rates by customer classification</b>		
<b>Residential consumers</b>		
Current (0 -30 days)	12,802,387	11,432,975
31 - 60 days	2,272,672	2,078,253
61 - 90 days	1,250,176	1,140,370
91 - 120 days	843,605	756,911
121 - 365 days	11,352,907	12,532,453
Less: Allowance for impairment	(13,314,417)	(10,556,254)
	<b>15,207,330</b>	<b>17,384,708</b>
<b>Industrial / commercial</b>		
Current (0 -30 days)	2,166,537	1,961,880
31 - 60 days	385,515	216,263
61 - 90 days	106,077	107,638
91 - 120 days	69,208	48,300
121 - 365 days	1,628,092	1,524,557
Less: Allowance for impairment	(1,666,477)	(1,012,010)
	<b>2,688,952</b>	<b>2,846,628</b>
<b>National and provincial government and other</b>		
Current (0 -30 days)	176,420	187,384
31 - 60 days	55,954	703
61 - 90 days	7,731	20
91 - 120 days	7,794	-
121 - 365 days	133,981	166,626
Less: Allowance for impairment	-	-
	<b>381,880</b>	<b>354,733</b>
<b>Total of rates by customer classification</b>	<b>18,278,162</b>	<b>20,586,069</b>
<b>Fines</b>		
The ageing of fines is as follows:		
Current (0 - 30 days)	5,278,650	3,813,250
31 - 60 days	6,310,350	3,533,450
61 - 90 days	6,307,820	2,202,500
91 - 120 days	5,859,354	1,545,350
121 - 365 days	90,613,635	74,494,185
	114,369,809	85,588,735
Less: Allowance for impairment	(103,169,417)	(76,452,757)
	<b>11,200,392</b>	<b>9,135,978</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017		
4. Receivables from non-exchange transactions (continued)				
Reconciliation of provision for impairment of receivables from non-exchange transactions				
2018	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	11,568,264	7,016,969	(3,604,338)	14,980,895
Transfer receivables (Fines)	76,452,758	65,577,830	(38,861,171)	103,169,417
Other receivables	802,713	-	(10,130)	792,583
	<b>88,823,735</b>	<b>72,594,799</b>	<b>(42,475,639)</b>	<b>118,942,895</b>
2017	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	8,795,044	3,958,222	(1,185,002)	11,568,264
Transfer receivables (Fines)	78,938,580	42,600,278	(45,086,101)	76,452,757
Other receivables	802,713	-	-	802,713
	<b>88,536,337</b>	<b>46,558,500</b>	<b>(46,271,103)</b>	<b>88,823,734</b>

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Taxation Receivables and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Taxation Receivables and Other Receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

### Credit quality of trade receivables from non-exchange transactions

Taxation debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to taxation debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Notes to the Annual Financial Statements**

Figures in Rand	2018	2017
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Operating lease asset</b>		
Opening balance	125,925	94,124
Straight lining adjustment in the Statement of Financial Performance	(13,781)	31,801
	<b>112,144</b>	<b>125,925</b>
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments receivable</b>		
- within one year	614,631	524,200
- in second to fifth year inclusive	2,086,511	1,489,674
- later than five years	331,677	55,768
	<b>3,032,819</b>	<b>2,069,642</b>

Operating leases relate to property owned by the municipality with lease terms of between 5 and 20 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Municipal buildings
- Vacant land

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

**5. Prepayments**

Prepayments consist of the following:

SALGA	4,504,678	3,923,844
Stadler & Swart Attorneys	-	1,700,000
Mercedes-Benz South Africa Ltd for maintenance of buses	8,566,934	8,043,992
	<b>13,071,612</b>	<b>13,667,836</b>

**SALGA**

SALGA membership fees for the 2018/2019 financial year were paid in May 2018 and the municipality received a 5% discount for early settlement.

**Stadler & Swart Attorneys**

The municipality procured Portion 4 of the Farm 197, Thembaletu during a previous financial year. The property was registered in the name of the municipality during the year and forms part of property, plant and equipment.

**Mercedes-Benz South Africa Ltd**

The municipality entered into a five year maintenance plan for the GIPTN buses which is paid in annual installments. A portion of the maintenance payment falls within the 2018/2019 year and this portion is treated as a prepayment.



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>6. VAT receivable / (payable)</b>		
VAT receivable from SARS	3,488,728	2,126,641
VAT input provision	9,910,471	7,882,325
VAT output provision	(10,088,940)	(10,354,529)
	<b>3,310,259</b>	<b>(345,563)</b>

VAT is payable to SARS on the payment basis. Only once payment is received from customers, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

### 7. Loans and receivables

As at 30 June 2018	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	535,156	(39,326)	495,831	(80,574)	415,257
Sale of erven loans	96,402	-	96,402	(5,715)	90,687
Loans to other organisations	-	-	-	-	-
Actaris meter debt	250,338	-	250,338	(75,102)	175,236
	<b>881,896</b>	<b>(39,326)</b>	<b>842,571</b>	<b>(161,391)</b>	<b>681,180</b>

As at 30 June 2017	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	692,781	(334,687)	358,094	(82,285)	275,809
Sale of erven loans	95,334	-	95,334	(7,557)	87,777
Loans to other organisations	12,888	-	12,888	(6,191)	6,697
Actaris meter debt	219,362	-	219,362	(74,343)	145,019
	<b>1,020,365</b>	<b>(334,687)</b>	<b>685,678</b>	<b>(170,376)</b>	<b>515,302</b>

Loans and receivables are not secured.

#### Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The interest rate applicable to the loans is 13.5%.

#### Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into. The interest rates applicable to the loans varies between 11.0% and 14.5%.

#### Loans to other organisations

The outstanding amount is in respect of loans granted to sports organisations (Section 185 (a) Ord.20 of 1974) before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The loan consists of a loan to Outeniqua Bowling Club at 8.0%.



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 7. Loans and receivables (continued)

#### Actaris meter costs

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of loans and receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's loans and receivables.

The provision for doubtful debts on loans and receivables exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

#### Reconciliation of impairment allowance

2018	Balance at beginning of year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	334,687	(295,360)	-	39,327
2017	Balance at beginning of the year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	468,377	260,003	(393,693)	334,687

Impairment losses and amounts written off as uncollectible in the previous year was restated. Refer to note 45 for more detail.



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**George Local Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2018	2017
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	22,900	23,050
Bank balances	167,761,561	405,417,717
Short-term deposits	450,000,000	100,000,000
	<b>617,784,461</b>	<b>505,440,767</b>

**Cash and cash equivalents pledged as collateral**

No cash and cash equivalents were pledged as security for financial liabilities.

The balance of unspent conditional grants as per note 19 can only be used for the purpose as set out in the different grant conditions and is not available to the municipality to use in its normal business operations. The same applies to the cash portion of the Housing Development Fund as per note 20. This balance can only be used for the purpose of the Housing Development Fund.

**The municipality had the following bank accounts:**

	<b>Cash book balances</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
ABSA BANK - Cheque Account - 102 222 0981	167,761,561	405,417,717
Nedbank Fixed Deposit	200,000,000	100,000,000
Standard Bank Fixed Deposit	250,000,000	-
Cash on hand	22,900	23,050
<b>Total</b>	<b>617,784,461</b>	<b>505,440,767</b>

The bank balances at year end were:

	<b>Bank balances</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
ABSA BANK - Cheque Account - 102 222 0981	213,605,128	403,166,928
ABSA - George Charitable Relief Fund -914 955 4208	1,000	1,000
Nedbank Fixed Deposit	200,000,000	100,000,000
Standard Bank Fixed Deposit	250,000,000	-
	<b>663,606,128</b>	<b>503,167,928</b>

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

The credit rating was obtained from Moody's Investor Services Inc. Moody's rating methodology has been revised, and the bank financial strength ratings have been withdrawn. This has been replaced with the Baseline Credit Assessment.

**Credit rating of financial institutions**

Baa3	663,606,128	503,167,928
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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Notes to the Annual Financial Statements**

Figures in Rand

**9. Property, plant and equipment**

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	921,528,421	-	921,528,421	923,505,583	-	923,505,583
Infrastructure	2,533,933,318	(1,045,669,958)	1,488,263,360	2,319,596,560	(922,170,912)	1,397,425,648
Community	205,324,821	(80,756,090)	124,568,731	177,487,505	(59,736,854)	117,750,651
Other	215,305,938	(100,208,595)	115,097,343	174,717,811	(87,147,917)	87,569,894
Other - Buildings	97,082,196	(40,203,808)	56,878,388	112,675,644	(49,778,939)	62,896,705
Other - GIPTN Buses	206,260,523	(46,083,798)	160,176,725	206,260,523	(31,510,208)	174,750,315
<b>Total</b>	<b>4,179,435,217</b>	<b>(1,312,922,249)</b>	<b>2,866,512,968</b>	<b>3,914,243,626</b>	<b>(1,150,344,830)</b>	<b>2,763,898,796</b>

**Reconciliation of property, plant and equipment - 2018**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	923,505,583	2,863,966	(4,841,128)	-	-	-	921,528,421
Infrastructure	1,397,425,648	214,336,758	-	-	(125,120,905)	1,621,859	1,488,263,360
Community	117,750,651	9,282,774	-	6,386,208	(8,850,902)	-	124,568,731
Other	87,569,894	40,748,200	(67,429)	-	(13,153,322)	-	115,097,343
Other - Buildings	62,896,705	2,961,095	-	(6,386,208)	(2,593,204)	-	56,878,388
Other - GIPTN Buses	174,750,315	-	-	-	(14,573,590)	-	160,176,725
	<b>2,763,898,796</b>	<b>270,192,793</b>	<b>(4,908,557)</b>	<b>-</b>	<b>(164,291,923)</b>	<b>1,621,859</b>	<b>2,866,512,968</b>



**George Local Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand

**9. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2017**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	923,728,683	-	(223,100)	-	-	-	923,505,583
Infrastructure	1,339,426,313	164,903,894	(12,142)	13,185,535	(117,956,424)	(2,121,528)	1,397,425,648
Community	120,690,576	7,140,250	-	(3,369,707)	(6,710,468)	-	117,750,651
Other	81,517,924	27,272,807	(379,271)	(9,815,828)	(11,025,738)	-	87,569,894
Other - Buildings	54,178,342	13,277,370	-	-	(4,559,007)	-	62,896,705
Other - GIPTN Buses	189,324,051	-	-	-	(14,573,736)	-	174,750,315
	<b>2,708,865,889</b>	<b>212,594,321</b>	<b>(614,513)</b>	<b>-</b>	<b>(154,825,373)</b>	<b>(2,121,528)</b>	<b>2,763,898,796</b>

A detailed breakdown of property, plant and equipment by asset class can be found in the appendix to the financial statements. Refer to page 122.

The municipality received public donated assets of RNil (2017: R504,253) which forms part of the asset additions for the year. Refer to note 51.

**Pledged as security**

Property, plant and equipment was not pledged as security for financial liabilities.

**Assets subject to finance lease (Net carrying amount)**

	2018	2017
Vehicles	16,654,171	17,078,705

Refer to note 14 for details of finance leases.



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>9. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
Land	32,900	-
Infrastructure	338,985,478	176,713,864
Community	12,352,433	7,261,567
Other	11,076,180	2,268,307
Other - buildings	7,373,120	11,448,050
	<b>369,820,111</b>	<b>197,691,788</b>

Details of work in progress per asset class can be found in the appendix to the financial statements on page 122.

The carrying value of work in progress which is taking longer than expected to complete or have been delayed can be classified as follows:

<b>Reason for delay</b>	
Tender related delays	26,644,146
Other	48,119,034
	<b>74,763,180</b>

### Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance expenditure for the year was R124,493,030 (2017: R91,566,512).

## 10. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,642,718	(1,287,281)	1,355,437	2,004,147	(570,935)	1,433,212

### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	1,433,212	638,570	(716,345)	1,355,437

### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1,007,717	943,072	-	(517,577)	1,433,212



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**11. Heritage assets**

	2018			2017		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical monuments and open areas	4,236,000	-	4,236,000	4,236,000	-	4,236,000

**Reconciliation of heritage assets - 2018**

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments and open areas	4,236,000	-	-	4,236,000

**Reconciliation of heritage assets - 2017**

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments and open areas	4,236,000	-	-	4,236,000

**Details of heritage assets**

Wilderness Commonage	4,050,000	4,050,000
Old Uniondale Fort	186,000	186,000
	<b>4,236,000</b>	<b>4,236,000</b>

Wilderness Commonage: This piece of land has a cultural and historical value due to being a stopover or resting place for ox-wagons travelling to Cape Town.

Old Uniondale Fort: During the Anglo Boer War, Uniondale was protected by six British forts of which one has been restored to its original state.

**Expenditure incurred to repair and maintain heritage assets**

No costs were incurred to repair and maintain heritage assets during the year.



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**12. Investment property**

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	149,777,700	-	149,777,700	149,777,700	-	149,777,700
Buildings	5,206,973	(2,832,859)	2,374,114	4,981,973	(2,671,268)	2,310,705
<b>Total</b>	<b>154,984,673</b>	<b>(2,832,859)</b>	<b>152,151,814</b>	<b>154,759,673</b>	<b>(2,671,268)</b>	<b>152,088,405</b>

**Reconciliation of investment property - 2018**

	Opening balance	Additions	Depreciation	Total
Land	149,777,700	-	-	149,777,700
Buildings	2,310,705	225,000	(161,590)	2,374,115
	<b>152,088,405</b>	<b>225,000</b>	<b>(161,590)</b>	<b>152,151,815</b>

**Reconciliation of investment property - 2017**

	Opening balance	Additions	Depreciation	Total
Land	149,777,700	-	-	149,777,700
Buildings	2,472,277	-	(161,572)	2,310,705
	<b>152,249,977</b>	<b>-</b>	<b>(161,572)</b>	<b>152,088,405</b>

The municipality received public donated assets of R225,000 (2017: RNil) which forms part of the asset additions for the year. Refer to note 51.

Investment property was not pledged as security for financial liabilities.

**Other disclosure**

Included in the surplus for the year are the following:

Total rental income from investment property	706,622	1,533,642
Repairs and maintenance of investment property	176,353	119,502

Repairs and maintenance incurred during the year was for the Thusong Centre and for the Skatelab Building.



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<b>13. Loans and borrowings</b>		
<b>At amortised cost</b>		
Annuity loans	329,480,507	348,285,098
Other loans	361,688	542,532
	<b>329,842,195</b>	<b>348,827,630</b>
<b>Non-current liabilities</b>		
Annuity loans	290,040,098	309,580,507
Other loans	180,844	361,688
	<b>290,220,942</b>	<b>309,942,195</b>
<b>Current liabilities</b>		
Annuity loans	39,440,409	38,704,591
Other loans	180,844	180,844
	<b>39,621,253</b>	<b>38,885,435</b>

### Annuity loans

Annuity loans are repaid over periods varying from 1 years to 11 years (2017: 2 years to 12 years) and at interest rates varying from 6.75% to 12,665% (2017: 6.75% to 12,665%) per annum. Annuity loans are not secured.

### Other loans

Other loans were used for the phased electrification of dwellings in the greater George area not yet electrified. Other loans are repaid over periods varying from 1 year to 2 years (2017: 1 year to 3 years) and at interest rates varying from 7,835% to 12% (2017: 7,835% and 12%) per annum. Other loans are not secured.

## 14. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	5,349,633	5,476,552
- in second to fifth year inclusive	3,833,223	7,812,565
	9,182,856	13,289,117
less: future finance charges	(1,029,751)	(1,685,622)
<b>Present value of minimum lease payments</b>	<b>8,153,105</b>	<b>11,603,495</b>
<b>Present value of minimum lease payments due</b>		
- within one year	4,717,554	4,533,126
- in second to fifth year inclusive	3,435,551	7,070,369
	<b>8,153,105</b>	<b>11,603,495</b>
Non-current liabilities	3,435,551	7,070,369
Current liabilities	4,717,554	4,533,126
	<b>8,153,105</b>	<b>11,603,495</b>

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 8.84% (2017: 8.84%). Interest rates are fixed at the contract date and all leases have fixed repayment terms.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9 for more detail.



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>15. Payables from exchange transactions</b>		
<b>Current liabilities</b>		
Trade payables	152,917,114	118,510,305
Payments received in advance	16,376,677	18,674,074
Retentions	26,483,599	19,013,090
GIPTN compensation liability	3,615,887	3,434,542
Other payables	19,393,918	22,147,545
Sundry Deposits	9,166,218	8,397,317
Unidentified deposits	5,282,496	3,662,138
	<b>233,235,909</b>	<b>193,839,011</b>
<b>Non-current liabilities</b>		
GIPTN compensation liability	2,796,362	5,459,261
<b>Total</b>	<b>236,032,271</b>	<b>199,298,272</b>

The prior period balances were restated for a prior year error. Refer to note 45.2 for more detail.

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within credit timeframe.

The management of the municipality is of the opinion that the carrying value of trade and other payables approximate their fair values. The fair value of trade and other payables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

### George Integrated Public Transport Network (GIPTN) compensation liability

The public transport bus services commenced during the 2015 financial year. Taxi operators who signed buy-in agreements started receiving their monthly buy-in payments with the relinquishment of the taxi operator licences. The accrual was transferred from Provisions and is split between current and non-current based on the expected payments to be made as determined in the signed contracts. Refer to note 18 for more detail.

Balance at beginning of the year	8,893,803	11,358,461
Transferred from Provisions	595,468	249,411
Increase in liability	629,475	665,589
Paid during the year	(3,706,497)	(3,379,658)
	<b>6,412,249</b>	<b>8,893,803</b>
<b>Non-current liabilities</b>	<b>2,796,362</b>	<b>5,459,261</b>
<b>Current liabilities</b>	<b>3,615,887</b>	<b>3,434,542</b>
	<b>6,412,249</b>	<b>8,893,803</b>



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# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>16. Consumer deposits</b>		
Electricity and water	27,168,038	22,822,167
Guarantees held in lieu of electricity and water deposits	18,433,832	17,264,484

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given by business consumers on application for new water and electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

### 17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

#### Non-current liabilities

Post-Retirement Medical Aid benefits liability	124,210,257	118,609,320
Ex-gratia pension benefits liability	1,415,860	2,018,897
Long service awards	19,797,166	18,953,503
	<b>145,423,283</b>	<b>139,581,720</b>

#### Current liabilities

Post-Retirement Medical Aid benefits liability	5,367,866	4,977,326
Ex-gratia pension benefits liability	248,958	276,714
Long service awards	3,573,533	2,381,136
Staff leave	35,681,280	30,914,992
Staff annual bonus	10,301,189	10,279,611
	<b>55,172,826</b>	<b>48,829,779</b>

#### Total liabilities

Post-Retirement Medical Aid benefits liability	129,578,123	123,586,646
Ex-gratia pension benefits liability	1,664,818	2,295,611
Long service awards	23,370,699	21,334,639
Staff leave	35,681,280	30,914,992
Staff annual bonus	10,301,189	10,279,611
	<b>200,596,109</b>	<b>188,411,499</b>

#### Post-retirement medical aid benefit liability

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continuation member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.



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# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>17. Employee benefit obligations (continued)</b>		
In-service (Employees) members	554	501
In-service (Employees) non-members	691	487
Continuation members (Retirees, widowers and orphans)	128	126
	<b>1,373</b>	<b>1,114</b>
 In-service members	 65,392,181	 61,892,614
Continuation members	64,185,942	61,694,032
	<b>129,578,123</b>	<b>123,586,646</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Key Health
- Samwumed

The Current-service cost for the year ending 30 June 2019 is estimated to be R4,925,534 (2018: R4,541,531) whereas the interest cost for the same year is estimated to be R12,124,239 (2018: R11,625,744).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	9.55 %	9.60 %
Health care cost inflation rate	7.36 %	7.89 %
Net effective discount rate	2.04 %	1.58 %
 Expected retirement age - females	 62	 62
Expected retirement age - males	62	62

Discount rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 9.55% per annum has been used. The corresponding index-linked yield at this term is 3.01%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

### ii) Mortality rates

Pre-retirement

SA 85 - 90 mortality table  
Post-retirement

PA (90 - 1) ultimate mortality table

### iii) Normal retirement age



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**17. Employee benefit obligations (continued)**

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.



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Figures in Rand	2018	2017
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**17. Employee benefit obligations (continued)**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	129,578,123	123,586,646
Fair value plan assets	-	-
	<b>129,578,123</b>	<b>123,586,646</b>

Amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	4,541,531	4,624,356
Interest cost	11,625,744	11,590,218
Recognised actuarial losses / (gains)	(5,198,472)	(14,336,935)
<b>Total included in employee related cost - refer to note 29</b>	<b>10,968,803</b>	<b>1,877,639</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	123,586,646	126,255,843
- Current service cost	4,541,531	4,624,356
- Interest cost	11,625,744	11,590,218
- Actuarial losses (gains)	(5,198,472)	(14,336,935)
- Benefits paid	(4,977,326)	(4,546,836)
<b>Balance at the end of the year</b>	<b>129,578,123</b>	<b>123,586,646</b>

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods (R millions).

Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued liability	117.768	134.044	126.256	123.587	129.578
Fair value of plan asset	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(117.768)</b>	<b>(134.044)</b>	<b>(126.256)</b>	<b>(123.587)</b>	<b>(129.578)</b>

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred (R millions).

Experience adjustments	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	1.743	5.507	(4.381)	(1.791)	2.128
Assets: Gain / (Loss)	-	-	-	-	-
	<b>1.743</b>	<b>5.507</b>	<b>(4.381)</b>	<b>(1.791)</b>	<b>2.128</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>17. Employee benefit obligations (continued)</b>		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase</b>		
Effect on the current service cost and interest cost	745,300	890,600
Effect on the defined benefit obligation	5,685,000	5,073,000
<b>Decrease</b>		
Effect on the current service cost and interest cost	(1,125,500)	(1,315,600)
Effect on the defined benefit obligation	(8,230,000)	(7,478,000)

### Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2018 2 employees and 14 pensioners were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension or Provident Funds who have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

The Current-service cost for the year ending 30 June 2019 is estimated to be Rnil (2018: Rnil) whereas the interest cost for the same year is estimated to be R126,354 (2018: R176,034).

Pensioners	14	15
Eligible employees	2	2
	<u>16</u>	<u>17</u>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.19 %	8.15 %
Pension increase rate	2.19 %	2.48 %
Net effective discount rate	5.57 %	5.53 %

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 8.19% per annum has been used. The corresponding index-linked yield at this term is 2.59%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

Expected retirement age	62	62
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ii) Mortality rates



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**17. Employee benefit obligations (continued)**

Pre-retirement

SA 85 - 90 mortality table  
Post-retirement

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.



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**17. Employee benefit obligations (continued)**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,664,818	2,295,611
Fair value of plan assets	-	-
	<b>1,664,818</b>	<b>2,295,611</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	176,034	198,816
Recognised actuarial losses / (gains)	(530,113)	45,195
<b>Total included in employee related cost - refer to note 29</b>	<b>(354,079)</b>	<b>244,011</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	2,295,611	2,679,172
- Interest cost	176,034	198,816
- Actuarial losses (gains)	(530,113)	45,195
- Benefits paid	(276,714)	(627,572)
	<b>1,664,818</b>	<b>2,295,611</b>

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued liability	3,057,369	2,681,298	2,679,172	2,295,611	1,664,818
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(3,057,369)</b>	<b>(2,681,298)</b>	<b>(2,679,172)</b>	<b>(2,295,611)</b>	<b>(1,664,818)</b>

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustment	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	31,653	85,984	416,614	95,982	(526,983)
Assets: Gain / (Loss)	-	-	-	-	-
	<b>31,653</b>	<b>85,984</b>	<b>416,614</b>	<b>95,982</b>	<b>(526,983)</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>17. Employee benefit obligations (continued)</b>		
The effect of a 1% movement in the assumed pension increase rate is as follows:		
<b>Increase</b>		
Effect on interest cost	13,421	14,318
Effect on defined benefit obligation	104,240	164,680
<b>Decrease</b>		
Effect on interest cost	(12,084)	(12,871)
Effect on defined benefit obligation	(94,659)	(148,271)

### Long service awards

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018.

At year end, 1 245 (2017: 988) employees were eligible for Long-services Awards. The future service cost for the ensuing year is estimated to be R1,743,927 (2018: R1,536,659), whereas the interest cost for the ensuing year is estimated to be R1,846,394 (2018: R1,701,781).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.54 %	8.44 %
Benefit inflation rate	6.15 %	6.26 %
Net effective discount rate	2.25 %	2.05 %
Expected retirement age	62	62

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 8.54% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.54% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.75%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 29 June 2018.

ii) Mortality rates

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**17. Employee benefit obligations (continued)**

Pre-retirement

SA 85 - 90 mortality table  
Post-retirement

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of projected fund obligations	23,370,699	21,334,639
Plan assets	-	-
	<b>23,370,699</b>	<b>21,334,639</b>

Amounts recognised in the Statement of Financial Performance are as follows:

Net current service cost and actuarial losses (gains) included in the long service awards expense	2,715,415	1,154,110
Interest cost	1,701,781	1,680,413
<b>Total included in employee related cost - refer to note 29</b>	<b>4,417,196</b>	<b>2,834,523</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	21,334,639	20,800,828
- Net current service cost and actuarial losses (gains) included in the long service awards expense	2,715,415	1,154,110
- Interest cost	1,701,781	1,680,413
- Benefits paid	(2,381,136)	(2,300,712)
	<b>23,370,699</b>	<b>21,334,639</b>

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:



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Figures in Rand				2018	2017
17. Employee benefit obligations (continued)					
Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued Liability	17,981,565	19,674,941	20,800,828	21,334,639	23,370,699
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(17,981,565)	(19,674,941)	(20,800,828)	(21,334,639)	(23,370,699)

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

<b>Experience adjustment</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>
Liabilities: (Gain) / Loss	1,276,184	908,105	852,348	729,329	1,486,754
Assets: Gain / (Loss)	-	-	-	-	-
	<b>1,276,184</b>	<b>908,105</b>	<b>852,348</b>	<b>729,329</b>	<b>1,486,754</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>17. Employee benefit obligations (continued)</b>		
The effect of a 1% movement in the assumed salary inflation rate is as follows:		
<b>Increase</b>		
Effect on the current service cost and interest cost	242,500	254,700
Effect on the defined benefit obligation	1,485,000	1,377,000
<b>Decrease</b>		
Effect on the current service cost and interest cost	(217,500)	(227,300)
Effect on the defined benefit obligation	(1,342,000)	(1,245,000)

### Multi-employer retirement benefit information

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

SALA Pension Fund and the South African Municipal Workers Union Pension Fund are defined benefit plans, whereas the LA Retirement Fund and the Municipal Councillors Pension Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R41,534,131 for employees and R651,800 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

### LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The valuation of 30 June 2017 showed that the funding level is 100%.

### SALA Pension Fund

The contribution rate paid by the members 8.60% and Council 19.18% is sufficient to fund the benefits accruing from the fund in the future.

At the valuation date of 1 July 2015 the SALA Pension Fund was 100% funded and revealed that the fund was certified to be in a sound financial position.



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### 17. Employee benefit obligations (continued)

#### Municipal Councillors Pension Fund

The fund was placed under curatorship on 19 December 2017. The appointed curators was given full legal powers and responsibilities to implement necessary mechanisms and remedial actions which will ensure the recoverability and where possible long-run sustainability of the fund for the benefit of its members. The appointed curators reports their progress to The Registrar of Pension Funds on a continuous basis.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

#### South African Municipal Workers Union Pension Fund

The financial statements of the fund on 30 June 2017 contains a report by the actuarial valuator stating that the last actuarial valuation was performed on 30 June 2014 and fund was in sound financial position of that date.

The contribution rate paid by the members of 9% and Council of 18% is sufficient to fund the benefits accruing from the fund in the future.

#### Staff leave

The movement on the leave accrual consists of the following:

Opening balance	30,914,992	25,754,564
Payments	(5,140,217)	(2,176,411)
Additional provision	9,906,505	7,336,839
	<b>35,681,280</b>	<b>30,914,992</b>

#### Staff annual bonus

The movement on the annual bonus accrual consist of the following:

Opening balance	10,279,611	9,602,594
Payments	(10,279,611)	(9,602,594)
Additional bonus accrual recognised during the year	10,301,189	10,279,611
	<b>10,301,189</b>	<b>10,279,611</b>



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**18. Provisions**

**Reconciliation of provisions - 2018**

	Opening Balance	Additions / Reversed	Utilised during the year	Change in discount factor	Transferred to Trade and Other payables	Total
Rehabilitation of landfill site	21,653,095	5,517,206	(1,811,621)	-	-	25,358,680
Compensation Liability GIPTN	63,166,902	5,263,264	-	(351,830)	(595,468)	67,482,868
	<b>84,819,997</b>	<b>10,780,470</b>	<b>(1,811,621)</b>	<b>(351,830)</b>	<b>(595,468)</b>	<b>92,841,548</b>

**Reconciliation of provisions - 2017**

	Opening Balance	Additions / Reversed	Utilised during the year	Change in discount factor	Transferred to Trade and Other payables	Total
Rehabilitation of landfill site	23,201,876	(2,236,261)	(1,098,673)	1,786,153	-	21,653,095
Compensation Liability GIPTN	64,874,836	828,078	-	(2,286,600)	(249,412)	63,166,902
	<b>88,076,712</b>	<b>(1,408,183)</b>	<b>(1,098,673)</b>	<b>(500,447)</b>	<b>(249,412)</b>	<b>84,819,997</b>

Current liabilities consist of	2018	2017
Rehabilitation of landfill site	2,228,709	2,115,896
Compensation Liability GIPTN	159,586	6,764,129
	<b>2,388,295</b>	<b>8,880,025</b>
Non-current liabilities	90,453,253	75,939,972
Current liabilities	2,388,295	8,880,025
	<b>92,841,548</b>	<b>84,819,997</b>

The comparative values for provisions was restated. Refer to note 45 for more information.

**Rehabilitation of landfill site**

The consulting engineers, Aurecon South Africa (Pty) Ltd, used a predominantly desktop-based methodology in estimating the airspace consumed in the 2017/2018 financial year as a percentage of the total airspace, was based on assumption on waste generation, waste disposal site size and final design height (at closure).

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill, together with a visual inspection of the site during 2012. The rate of escalation was based on the Contract Price Adjustments rate for Civil Works. The 2017 cost was increased by 5.913% to determine the rehabilitation cost as at 30 June 2018.

Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites. The landfill sites have reached full capacity and the municipality obtained closure licences during the 2015 financial year for both the George and Uniondale landfill sites. The closure licences requires that the rehabilitation commence within five years after of the date of issue of the licence and the rehabilitation should be completed within five years after the rehabilitation commencement date.

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### 18. Provisions (continued)

The cost as at 30 June 2018 has been escalated annually with the Contract Price Adjustments rate for Civil Works until the estimated time of closure and discounted to present value using the three year South African Government Bond rate (7.820%).

The movement on each of the landfill site's provisions is:

	Opening balance	Additions / Reversal	Utilised during the year	Unwinding of discount	Total
George	18,881,781	2,699,209	(1,811,621)	1,455,124	21,224,493
Uniondale	2,771,314	1,150,314	-	212,560	4,134,188
	<b>21,653,095</b>	<b>3,849,523</b>	<b>(1,811,621)</b>	<b>1,667,684</b>	<b>25,358,681</b>

### Compensation Liability: George Integrated Public Transport Network

The George Integrated Public Transport Network (GIPTN) has been developed by the municipality and the Provincial Government of the Western Cape to transform the road-based public transport sector through the establishment of a high quality, flexible and integrated public transport network.

An operating company was established and the current taxi owners form part of the operating company and operate the buses in the network. According to the signed operator's agreement, the taxi owners have to relinquish their existing taxi operators' licences to receive the compensation.

The bus services started operating during December 2014 and are rolled out in phases.

The provision for the compensation is based on the signed agreements with each of the taxi operators. Based on these agreements, 229 (2017: 229) licences were subject to the buy-in option, while 278 (2017: 278) licences were subject to the election of the buy-out option. The buy-in provision for operators who started receiving their monthly buy-in amounts was transferred to Trade and other payables. Refer to note 15.

The undiscounted provision for compensation before any payouts over the five years covered by the compensation agreement is R80,606,087 (2017: R75,392,814). A discount rate of 7.820% (2017: 7.670%) (3 year Government Bond rate) was used to discount the provision. During the year, a decision was made that buy-out compensation should also be adjusted annually with inflation until the buy-outs are paid. This resulted in an additional provision being raised.

The municipality expects to pay the buy-out options between July 2019 and April 2020 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.



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<b>19. Conditional government grants and subsidies</b>		
<b>Unspent conditional government grants and subsidies</b>	<b>75,143,780</b>	<b>104,809,639</b>
National Government Grants	27,448,316	57,923,505
Provincial Government Grants	39,991,437	39,182,107
Other	7,704,027	7,704,027
<b>Less: Conditional government grants and subsidies receivable - Note 4</b>	<b>(4,196,365)</b>	<b>(29,224,324)</b>
National Government Grants	(262,147)	(25,290,106)
Provincial Government Grants	(1,360,820)	-
Other	(2,573,398)	(3,934,218)
	<b>70,947,415</b>	<b>75,585,315</b>

The amount of unspent conditional grants and receipts is held in the operating bank account of the municipality until utilised.

The total grants recognised in the Statement of Financial Performance are (Refer to note 27):

<b>Unconditional Grants</b>		
Grants	122,613,000	105,336,000
<b>Conditional Grants</b>		
Grants and Donations	604,596,708	352,769,527
Subsidies	810,684	1,726,309
<b>Total Government Grants and Subsidies</b>	<b>605,407,392</b>	<b>459,831,836</b>
Government grants & subsidies - Operating	402,554,545	310,241,313
Government grants & subsidies - Capital	202,852,847	149,590,523
	<b>605,407,392</b>	<b>459,831,836</b>

Details of the different grants are set out below.

### Unconditional Grants

#### 19.1 Equitable share

Grants received	122,613,000	105,336,000
Conditions met - Operating	(122,613,000)	(105,336,000)
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### Conditional Grants

#### 19.2 National: Finance Management Grant (FMG)

Opening balance	-	-
Grants received	1,550,000	1,475,000
Conditions met - Operating	(1,550,000)	(1,475,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).



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Figures in Rand	2018	2017
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.3 National: Infrastructure Skills Development</b>		
Opening balance	-	-
Grants received	4,600,000	3,700,000
Conditions met - Operating	(4,392,999)	(2,959,231)
Conditions met - Capital	(207,001)	(740,769)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.

### 19.4 National: Energy Efficiency and Demand Side Management Grant

Opening balance	-	-
Grants received	7,000,000	-
Conditions met - Capital	(5,845,178)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,154,822</b>	<b>-</b>

The Energy Efficiency and Demand Side Management Grant is given to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

### 19.5 National: Municipal Infrastructure Grant (MIG)

Opening balance	-	-
Grants received	40,764,000	38,283,000
Conditions met - Operating	(2,038,200)	(1,914,150)
Conditions met - Capital	(38,725,800)	(36,368,850)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The grant was utilised to construct water and sewerage infrastructure and also to upgrade sport facilities, with the main focus on the historically disadvantaged areas.

### 19.6 National: Regional Bulk Infrastructure Grant (RBIG)

Opening balance	10,659,331	11,304,317
Grants received	-	-
Conditions met - Capital	(851,715)	(644,987)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>9,807,616</b>	<b>10,659,330</b>

The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. The remainder of this grant is specifically for raising the dam wall of the Garden Route dam. The licence was issued by the Department of Water Affairs.

### 19.7 National: Integrated National Electrification Grant

Opening balance	(3,017,189)	(12,517,189)
Grants received	18,048,000	9,500,000
Conditions met - Capital	(10,254,086)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>4,776,725</b>	<b>(3,017,189)</b>

The National Electrification Grant was used to upgrade the sub-station and electrification network.



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<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.8 National: Expanded Public Works Program Grant (EPWP)</b>		
Opening balance	-	-
Grants received	4,001,000	4,014,000
Conditions met - Operating	(4,001,000)	(4,014,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.

<b>19.9 National: Lawaakamp Sports Grounds (Lotto)</b>		
Opening balance	(262,147)	(262,147)
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(262,147)</b>	<b>(262,147)</b>

The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaakamp Sports Grounds.

<b>19.10 National: Public Transport Grant</b>		
Opening balance	25,253,405	(22,010,770)
Grants received	210,362,000	156,444,000
Conditions met - Operating	(124,764,718)	(72,998,000)
Conditions met - Capital	(99,141,534)	(36,181,826)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>11,709,153</b>	<b>25,253,404</b>

This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed, as well as to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure. This grants was disclosed in the 30 June 2017 financial statements as two separate grants.

This grants was disclosed in the 30 June 2017 financial statements as two separate grants (operating and infrastructure grants) but was combined since the grant gazetted by National Treasury is one grant.

**19.12 Provincial: Western Cape Financial Management Support Grant**

Opening balance	-	-
Grants received	255,000	220,000
Conditions met - Operating	(255,000)	(220,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Financial Management Support Grant is given by the Western Cape Provincial Treasury to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.





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Figures in Rand	2018	2017
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.13 Provincial: Western Cape Financial Management Capacity Building Grant</b>		
Opening balance	-	-
Grants received	240,000	120,000
Conditions met - Operating	(160,000)	(120,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>80,000</b>	<b>-</b>

This grant is given to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

### 19.14 Provincial: Integrated Public Transport Network Grant

Opening balance	-	(10,391,933)
Grants received	98,544,000	150,544,000
Conditions met - Operating	(95,545,129)	(91,134,776)
Conditions met - Capital	(2,998,871)	(49,017,291)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Integrated Public Transport Network Operations grant is given to the municipality to implement a public transport service as contemplated in the George Integrated Public Transport Network (GIPTN). This grant will fund the shortfall in operational cost and provide for the additional operational support to underwrite the consequences of significantly impaired operating conditions and magnified transformation obligations. This grant will also enhance infrastructure for public transport services provided by the municipality.

This grants was disclosed in the 30 June 2017 financial statements as two separate grants (operating and infrastructure grants) but was combined since the grant gazetted by Provincial Treasury is one grant.

### 19.15 Provincial: Fire Services Capacity Building Grant

Opening balance	-	-
Grants received	800,000	-
Conditions met - Capital	(611,471)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>188,529</b>	<b>-</b>

This grant is given to the municipality to provide financial assistance to ensure functional emergency communication, mobilisation systems and fire services.

### 19.16 Provincial: Integrated Transport Planning Grant

Opening balance	-	-
Grants received	600,000	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>600,000</b>	<b>-</b>

This grant is given for the review and update municipal Integrated Transport Plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

### 19.17 Provincial: Human Settlements Operating Grants

Opening balance	29,594,131	(748,652)
Grants received	44,252,104	44,415,933
Conditions met - Operating	(36,762,141)	(14,073,150)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>37,084,094</b>	<b>29,594,131</b>



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**19. Conditional government grants and subsidies (continued)**

This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide top structures and basic social and economic amenities that contributes to the establishment of sustainable human settlements.

**19.18 Provincial: Human Settlements Capital Grant**

Opening balance	8,468,250	10,000,000
Grants received	36,948,703	20,863,478
Conditions met - Capital	(43,475,768)	(22,395,228)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,941,185</b>	<b>8,468,250</b>

This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide basic infrastructure that contribute to the establishment of sustainable human settlements.

**19.19 Provincial: Sport / Recreational Facilities**

Opening balance	54,000	-
Grants received	-	54,000
Conditions met - Operating	(54,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>54,000</b>

This grant is given by Provincial Treasury to initiate and support socially cohesive sport and recreation structures and/or activities.

**19.20 Provincial: Proclaimed Roads**

Opening balance	-	-
Grants received	441,000	5,734,000
Conditions met - Operating	(441,000)	(5,734,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

This grant is given by Provincial Treasury to financially assist municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

**19.21 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)**

Opening balance	(1,360,820)	(1,360,820)
Grants received	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(1,360,820)</b>	<b>(1,360,820)</b>

This grant was utilised to upgrade the Thembaletu and Pacaltsdorp sport fields.

**19.22 Provincial: Electricity Master Plan Operations**

Opening balance	230,000	500,000
Grants received	-	230,000
Conditions met - Operating	(230,000)	(500,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>230,000</b>

This grant was given by Provincial Treasury to the municipality to provide financial assistance to ensure effective functioning of municipal electrical infrastructure and to maximise the provision of basic electricity to citizens.

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<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.23 Provincial: Library Services</b>		
Opening balance	741,423	4,982,994
Grants received	8,635,000	7,996,000
Conditions met - Operating	(8,635,000)	(7,996,000)
Conditions met - Capital	(741,423)	(4,241,572)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>741,422</b>

This grant is to be used for the transformation of urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

**19.24 Provincial: Community Development Workers' Operational Grant**

Opening balance	34,303	-
Grants received	93,000	75,000
Conditions met - Operating	(74,674)	(40,697)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>52,629</b>	<b>34,303</b>

This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.

**19.25 Provincial: Thembaletu Thusong Service Centre**

Opening balance	-	-
Grants received	212,000	-
Conditions met - Operating	(212,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.

**19.26 Provincial: Local Government Graduate Internship Grant**

Opening balance	60,000	-
Grants received	-	60,000
Conditions met - Operating	(15,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>45,000</b>	<b>60,000</b>

The Local Government Graduate Internship Grant is given to the municipality to provide financial assistance to the municipality in support of capacity building for the future by means of a graduate internship programme.

**19.26 Other: Eden District Municipality Electrification Grant**

Opening balance	200,000	200,000
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>200,000</b>	<b>200,000</b>

The Eden District Municipality grant was given for electrification of certain areas.

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<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.27 Other: Eden District Municipality Emergency Relief Funds</b>		
Opening balance	(2,573,398)	(2,573,398)
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(2,573,398)</b>	<b>(2,573,398)</b>
This grant was given to reimburse municipalities for flood damage incurred by the municipality.		
<b>19.28 Other: SANRAL N2 /York Bridge</b>		
Opening balance	7,504,027	7,504,027
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>7,504,027</b>	<b>7,504,027</b>
This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.		
<b>19.29 Other: LG Seta</b>		
Opening balance	-	-
Grants received	810,684	1,726,309
Conditions met - Operating	(810,684)	(1,726,309)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
These amounts were received from LG Seta based on the municipality's workplace skills plan.		
<b>Total Grants</b>		
Opening balance	75,585,316	(15,373,570)
Grants received	600,769,491	550,790,721
Conditions met - Operating	(402,554,545)	(310,241,313)
Conditions met - Capital	(202,852,847)	(149,590,523)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>70,947,415</b>	<b>75,585,315</b>



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<b>20. Housing development fund</b>		
Unappropriated surplus	9,557,902	9,831,739
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	<b>62,941,145</b>	<b>63,214,982</b>

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	535,157	692,782
Inventory	141,633	141,633
Trade and other receivables from exchange transactions	657,716	948,259
Trade and other receivables from non-exchange transactions	588,291	1,012,475
Government Grants in debit	-	3,017,189
Bank and cash	61,606,639	58,415,119
Trade and other payables from exchange transactions	(588,291)	(1,012,475)

<b>Total Housing Development Fund Assets and Liabilities</b>	<b>62,941,145</b>	<b>63,214,982</b>
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### 21. Service charges

Electricity	603,331,974	565,449,873
Water	117,656,763	121,171,738
Sewerage and sanitation charges	87,951,733	81,869,035
Refuse removal	69,777,667	61,813,769
	<b>878,718,137</b>	<b>830,304,415</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

### 22. Income from agency services

Provincial vehicle registrations	11,257,883	9,442,990
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### 23. GIPTN Fare Revenue

GIPTN Fare Revenue	39,419,283	37,301,627
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Fare revenue is recognised in accordance with accounting policy 1.20.



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>24. Other income</b>		
Building plan fees and related income	7,479,252	6,167,805
Camping fees	830,580	744,162
Cemetery fees	1,302,138	1,166,597
Collection charges	4,115,013	4,411,056
Development charges (previously Contributions received for capital projects)	23,426,428	11,382,719
Insurance claims received	826,047	1,134,257
Land usage fees (previously Public donations received)	612,707	862,902
Public contributions for donated asset additions	225,000	504,253
Rates clearance certificates for property transfers	760,123	743,684
Sundry income	1,833,571	2,476,327
	<b>41,410,859</b>	<b>29,593,762</b>

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 21, 26 and 28 which are billed to or paid for by the users of the services as required according to approved tariffs.

Refer to note 51 for details of the public contributions for donated asset additions.

The prior year balances was restated. Refer to note 45 for more detail.

## 25. Interest received

### Outstanding Debtors

Trade receivables	4,607,646	4,066,867
Art. 185(a) arrangements	516	1,515
Land sales	3,068	2,926
Selling schemes	65,632	84,533
Victoria Bay loans	-	264
	<b>4,676,862</b>	<b>4,156,105</b>

### External Investments

Bank accounts	14,445,220	19,851,843
Short term investments	35,720,392	17,452,125
	<b>50,165,612</b>	<b>37,303,968</b>
	<b>54,842,474</b>	<b>41,460,073</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>26. Property rates</b>		
<b>Rates received</b>		
Agriculture	3,487,250	3,171,669
Commercial	56,066,392	50,220,919
Industrial	13,922,937	12,613,814
Other	55,347	59,308
Public benefit organisations	276,723	1,260,035
Residential	172,761,136	152,632,523
State-owned	10,117,437	9,218,153
Vacant land	17,935,333	18,785,289
Less: Income forgone	(32,234,615)	(29,830,737)
Less: Impermissible rates	(7,334,180)	(6,698,406)
	<b>235,053,760</b>	<b>211,432,567</b>
<b>Valuations</b>		
Agriculture	1,946,902,000	1,910,333,400
Churches & parks	356,254,300	361,040,700
Commercial	5,771,653,390	5,674,555,290
Industrial	1,515,837,600	1,513,915,200
Municipal (non-taxable valuations)	1,065,362,050	1,085,749,650
Other	27,729,200	27,024,200
Public benefit organisations	145,069,800	150,069,500
Residential	23,757,737,810	23,012,463,800
State-owned	1,300,859,000	1,322,437,800
Vacant land	1,963,212,200	2,167,122,459
	<b>37,850,617,350</b>	<b>37,224,711,999</b>

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act. Interim valuations are processed on an annual basis to take into account changes in individual property value due to alterations, consolidations and subdivisions.

Uniform rates of 0,7264 (2017: 0,6664) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,9170 (2017: 0,8413) for Commercial, Industrial and Business even, and this was applicable for all Areas.

A rebate of 15% (2017: 15%) was allowed on residential properties, whilst rebates of 20% - 40% (2017: 20% - 40%) were applied to pensioners, based on the annual income of the ratepayer. A rebate of 40% (2017: 40%) was allowed on residential properties for rural areas. A discount of 20% was granted to the State.

Rates are levied monthly on property owners and are payable by the 15th of each month. Owners are allowed to pay the 12 monthly instalments annually by 30 September each year. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

The current General Valuation came into effect on 1 July 2012. The municipality was granted an extension of one year by the Minister of Local Government, Environmental Affairs and Development Planning. The new General Valuation comes in effect on 1 July 2018.



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# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
National: Equitable Share	122,613,000	105,336,000
National: Financial Management Grant (FMG)	1,550,000	1,475,000
National: Infrastructure Skills Development	4,392,999	2,959,231
National: Municipal Infrastructure Grant (MIG)	2,038,200	1,914,150
National: Expanded Public Works Program Grant	4,001,000	4,014,000
National: Public Transport Grant	124,764,718	72,998,000
Provincial: Western Cape Financial Management Support Grant	255,000	220,000
Provincial: Western Cape Financial Management Capacity Building Grant	160,000	120,000
Provincial: Integrated Public Transport Network Grant	95,545,129	91,134,776
Provincial: Human Settlements Operating Grant	36,762,141	14,073,150
Provincial: Proclaimed Roads	441,000	5,734,000
Provincial: Electricity Master Plan Operations Grant	230,000	500,000
Provincial: Library Services Grant	8,635,000	7,996,000
Provincial: Community Development Workers Grant	74,674	40,697
Provincial: Thusong Centre Grant	212,000	-
Provincial: Sport / Recreational Facilities Grant	54,000	-
Provincial: Local Government Graduate Internship Grant	15,000	-
Other: LG Seta	810,684	1,726,309
	<b>402,554,545</b>	<b>310,241,313</b>
<b>Capital grants</b>		
National: Infrastructure Skills Development	207,001	740,769
National: Electricity Demand Side Management Grant	5,845,178	-
National: Municipal Infrastructure Grant (MIG)	38,725,800	36,368,850
National: Regional Bulk Infrastructure Grant (RBIG)	851,715	644,987
National: Integrated National Electrification Grant	10,254,086	-
National: Public Transport Grant	99,141,534	36,181,826
Provincial: Integrated Public Transport Network Grant	2,998,871	49,017,291
Provincial: Human Settlements Capital Grant	43,475,768	22,395,228
Provincial: Library Services Grant	741,423	4,241,572
Provincial: Fire Services Capacity Building Grant	611,471	-
	<b>202,852,847</b>	<b>149,590,523</b>
	<b>605,407,392</b>	<b>459,831,836</b>
<b>Revenue recognised per vote as required by Section 123 (c) of the MFMA</b>		
Civil Engineering Services	157,080,221	365,861,589
Community Services	43,536,724	52,641,092
Corporate Services	1,431,049	4,403,175
Electro-technical Services	35,665,063	17,683,462
Financial Services	3,276,253	3,082,970
Human Settlements	37,218,964	-
Human Settlements, Land Affairs & Planning	-	14,642,999
Office of the Municipal Manager	1,959,962	1,516,549
Planning and Development	1,015,789	-
Protection Services	324,223,367	-
	<b>605,407,392</b>	<b>459,831,836</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>28. Fines, penalties and forfeits</b>		
Property rates penalties	1,314,207	540,102
GIPTN Bus operator penalties	1,882,793	397,265
Other fines	646,402	243,550
Traffic fines	77,659,834	47,203,374
	<b>81,503,236</b>	<b>48,384,291</b>

The contract for the traffic fines lapsed in November 2016 and was only renewed in May 2017. Camera fines was not issued during this period.

The prior year balances was restated. Refer to note 45 for more detail.

### 29. Employee related costs

Basic	308,852,351	264,895,945
Housing benefits and allowances	1,934,438	1,704,242
Long-service awards	2,386,268	910,665
Medical aid - company contributions	18,385,374	16,408,345
Other payroll levies	3,945,105	3,395,146
Overtime payments	36,523,289	34,562,150
Employee benefit obligations	12,329,888	3,780,160
- Current service cost	4,554,914	4,602,453
- Interest cost	13,503,559	13,469,447
- Actuarial (gains) / losses recognised	(5,728,585)	(14,291,740)
Travel, motor car, accommodation, subsistence and other allowances	29,581,018	31,970,145
UIF	3,057,739	2,557,300
Pension	40,953,618	33,198,503
Subsistence and Travelling Allowance	2,786,295	1,219,427
	<b>460,735,383</b>	<b>394,602,028</b>

#### Employee related cost consist out of the following:

Salaried staff	460,735,383	394,602,028
Section 56 and 57 employees (detail is below)	7,692,552	12,424,698
	<b>468,427,935</b>	<b>407,026,726</b>

The organisational structure of the municipality was reviewed and Council adopted the new structure in August 2017. The municipality has eight directorates in the current financial year compared to six directorates during the previous financial year. The remuneration disclosed below in the current year is for eight directorates compared to six directorates in the previous year.

#### Remuneration of Municipal Manager

Annual Remuneration	1,589,002	1,729,149
Contributions to UIF, Medical and Pension Funds	24,771	22,414
Performance bonus	50,208	-
	<b>1,663,981</b>	<b>1,751,563</b>

The remuneration of the Municipal Manager was restated in the prior year to include his UIF and bargaining council levy contributions.

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Notes to the Annual Financial Statements**

Figures in Rand	2018	2017
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of Director Financial Services</b>		
Annual Remuneration	1,105,432	1,395,233
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	239,936	303,036
Acting expenses	3,500	47,118
	<b>1,408,868</b>	<b>1,805,387</b>
<b>Remuneration of Director Corporate Services</b>		
Annual Remuneration	17,348	1,248,680
Severance package	-	361,482
Car Allowance	-	172,830
Contributions to UIF, Medical and Pension Funds	-	291,656
Acting expenses	71,169	-
	<b>88,517</b>	<b>2,074,648</b>
<b>Remuneration of Director Human Settlement, Land Affairs &amp; Planning</b>		
Annual Remuneration	378,843	1,258,421
Car Allowance	16,000	96,000
Contributions to UIF, Medical and Pension Funds	49,286	286,402
Acting expenses	4,961	51,074
	<b>449,090</b>	<b>1,691,897</b>
<b>Remuneration of Director Human Settlements</b>		
Annual Remuneration	740,909	-
Contributions to UIF, Medical and Pension Funds	28,893	-
	<b>769,802</b>	<b>-</b>
<b>Remuneration of Director Civil Engineering Services</b>		
Annual Remuneration	875,744	1,360,816
Car Allowance	-	121,000
Severance package	-	410,206
Contributions to UIF, Medical and Pension Funds	1,668	23,964
Acting expenses	88,857	14,700
	<b>966,269</b>	<b>1,930,686</b>
<b>Remuneration of Director Electro- Technical Services</b>		
Annual Remuneration	16,545	1,337,279
Car Allowance	-	132,000
Severance package	-	400,130
Contributions to UIF, Medical and Pension Funds	-	46,578
Acting expenses	96,203	8,621
	<b>112,748</b>	<b>1,924,608</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2018</b>	<b>2017</b>
<b>29. Employee related costs (continued)</b>		
<b>Remuneration Director Community Services</b>		
Annual Remuneration	1,053,811	990,828
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	207,717	195,081
Acting expenses	2,927	-
Performance bonus	122,961	-
	<b>1,447,416</b>	<b>1,245,909</b>
<b>Remuneration of Director Protection Services</b>		
Annual Remuneration	566,875	-
Car Allowance	56,000	-
Contributions to UIF, Medical and Pension Funds	146,928	-
Acting expenses	16,058	-
	<b>785,861</b>	<b>-</b>



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# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>30. Remuneration of Councillors</b>		
<b>Basic Salaries</b>		
Executive Mayor	561,851	506,527
Deputy Executive Mayor	508,632	498,626
Speaker	558,835	504,149
Chief Whip	462,273	418,044
Mayoral Committee Members	4,927,521	4,114,474
Councillors	6,879,211	6,927,585
<b>Allowances and contributions</b>		
Car allowance	4,565,904	4,090,346
Cellphone allowance	2,152,770	1,194,395
Contributions to medical aid	250,668	145,100
Contributions to pension fund	651,800	401,510
	<b>21,519,465</b>	<b>18,800,756</b>

The remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Refer to page 5 for the certification by the Accounting Officer.

Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:

<b>Executive Mayor</b>		
Basic salary	561,851	506,527
Car allowance	206,604	187,773
Cellphone allowance	40,800	26,823
Contributions to medical aid and pension fund	57,960	59,640
	<b>867,215</b>	<b>780,763</b>
<b>Deputy Executive Mayor</b>		
Basic salary	508,632	498,626
Car allowance	124,552	95,378
Cellphone allowance	40,800	26,823
Contributions to medical aid and pension fund	24,825	7,311
	<b>698,809</b>	<b>628,138</b>
<b>Speaker</b>		
Basic salary	558,835	504,149
Car allowance	99,169	95,378
Cellphone allowance	40,800	26,823
Contributions to medical aid and pension fund	-	1,789
	<b>698,804</b>	<b>628,139</b>
<b>Chief Whip</b>		
Basic salary	462,344	418,044
Car allowance	154,953	140,830
Cellphone allowance	40,800	21,597
Contributions to medical aid and pension fund	-	4,812
	<b>658,097</b>	<b>585,283</b>



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>30. Remuneration of Councillors (continued)</b>		
<b>In-kind benefits</b>		
The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.		
<b>Remuneration per councillor:</b>		
L Arries	642,428	352,721
C Bob	-	30,519
N Bungane	302,329	241,019
E Bussack	660,611	527,328
JP Buys	302,329	241,019
CM Clarke	455,837	241,019
BM Cornelius	523,797	555,834
DL Cronje	660,611	527,328
M Daniels	302,329	241,019
PH De Swart	-	59,150
EP De Villiers	660,611	584,465
NNE Dlephu	-	30,519
S Dlikilile	302,329	241,019
M Draghoender	520,640	586,506
M Du Preez	-	39,521
J Du Toit	302,328	274,336
JD Esau	302,329	112,302
LBC Esau	-	30,519
RS Figland	391,899	241,019
J Fry	302,329	241,019
V Gericke	302,329	294,237
MD Gingcana	-	30,519
FS Guga	-	30,519
WT Harris	302,329	235,817
LS Hayward	-	30,519
HH Ingo	302,329	269,525
NR James	302,329	241,019
N Jantjies	302,329	269,525
HJ Jones	-	(17,765)
NF Kamte	-	30,322
A Kiwit	302,329	241,019
MEF Kleynhans	-	59,150
NV Kom	-	30,519
PB Komani	-	30,519
IC Kritzinger	682,944	629,900
L Langa	302,329	241,019
PS Leholo	-	30,519
CI Lesele	302,329	112,302
H Loff	302,329	241,019
R Lombaard	-	30,519
P Louw	302,329	241,019
G Macclune	-	50,289
D Maritz	-	62,430
VE Mashini	-	29,229
NF Mdaka	302,329	241,345

# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>30. Remuneration of Councillors (continued)</b>		
BH Mooi	302,329	241,020
ZM Moyi	-	58,651
V Muller	302,329	241,019
MG Naik	867,214	775,078
J Ncamazana	302,329	241,019
C Neetling	-	30,519
GC Niehaus	382,963	555,834
CH Noble	660,611	527,328
PP Nosana	302,329	241,019
FZ Ntozini	-	30,519
MM Nyakathi	658,026	570,026
B Petrus	302,329	241,019
B Plata	302,329	266,103
G Pretorius	698,804	584,631
LN Quepe	-	30,519
C Remas	-	30,519
S Rooiland	302,329	241,019
J Safers	302,329	241,019
B Salmani	-	30,519
GM Y Sihoyiya	-	30,519
S Snyman	440,416	241,019
GJ Stander	520,153	584,465
C Standers	-	67,327
I Stemela	302,329	298,156
EH Stroebel	302,329	241,217
T Teyisi	302,329	269,525
JS Thanda	-	30,519
PJ Van der Hoven	302,329	269,525
J Van der Westhuizen	55,309	-
GJ Van Niekerk	302,329	241,019
LD Van Wyk	302,329	283,329
AJ Van Zyl	-	30,519
M Barnard (Viljoen)	658,026	555,834
J Von Brandis	438,770	241,019
DJ Wessels	302,329	241,019
AM Wildeman	-	30,519
AD Wilemse	660,611	542,156
CT Williams	302,329	269,524
W Witbooi	-	30,519
G Xesi	-	42,432
	<b>21,519,466</b>	<b>18,800,756</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	164,294,919	154,796,242
Intangible assets	716,345	517,402
Investment property	161,570	161,572
	<b>165,172,834</b>	<b>155,475,216</b>
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Trade receivables from exchange transactions	39,392,811	42,528,854
Trade and other receivables from non-exchange transactions	72,594,799	46,558,500
Loans and receivables	(211,611)	260,003
	<b>111,775,999</b>	<b>89,347,357</b>
The prior year figures was restated. Refer to note 45 for more detail.		
<b>33. Finance costs</b>		
Loans and borrowings	36,065,224	39,801,491
Finance leases	986,526	1,298,703
Provision for rehabilitation of landfill site	1,667,683	1,786,153
Provision for Compensation Liability GIPTN	5,420,977	1,222,914
	<b>44,140,410</b>	<b>44,109,261</b>
Refer to note 18 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.		
<b>34. Bulk purchases</b>		
Electricity	396,388,765	395,745,838
Water	1,421,482	111,094
	<b>397,810,247</b>	<b>395,856,932</b>

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. Water was purchased from Haarlem Irrigation Board during the year.



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>35. Contracted services</b>		
Cemeteries	3,083,180	3,522,135
Credit Control	5,297,427	4,545,581
Dumping Site Contractors	6,846,708	5,998,536
Electricity Distribution	27,279,543	25,767,306
Financial Services	2,008,344	1,977,874
Fire Services	1,268,588	1,178,961
General & additional valuations	3,292,080	761,644
Housing projects	44,748,393	22,163,381
Human Resources Contractors	2,766,173	2,196,791
IT Services Mainframe	1,897,005	1,013,353
Integrated Transport Services	211,881,658	160,175,799
Internal Auditors	3,359,617	3,283,676
Legal fees	3,938,349	3,738,655
Other Contractors	17,042,462	17,920,218
Parks and Gardens Contractors	4,869,123	6,423,860
Proclaimed Roads	18,032,593	25,725,543
Refuse Removal	16,837,961	10,658,118
SPCA - Small Animal Pound	2,211,184	1,756,128
Security	17,174,699	13,106,870
Sewerage	12,451,606	23,136,912
Sport Maintenance	1,603,405	2,132,459
Street Cleansing	1,310,544	2,301,036
Streets and Stormwater	18,794,301	21,630,173
Town Planning	509,854	483,502
Traffic Contractors	3,456,649	2,293,326
Water Contamination	4,679,528	6,178,762
Water Distribution	12,314,660	11,139,662
	<b>448,955,634</b>	<b>381,210,261</b>

The prior year figures was restated. Refer to note 45 for more detail.

### 36. Grants and subsidies paid

#### Other subsidies

Bursary Grants	67,855	120,000
Merit Grants and Donations	5,500	1,750
	<b>73,355</b>	<b>121,750</b>

The Bursary grants are in respect of providing bursaries for further tertiary education.

Merit Grants and Donations are given to schools and non-profit organisations in the community.

### 37. Loss on disposal of assets and liabilities

Property, plant and equipment	(2,624,035)	338,495
Inventory	(138,591)	(45,823)
	<b>(2,762,626)</b>	<b>292,672</b>

The prior year figures was restated. Refer to note 45 for more detail.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>38. Other materials / Inventory</b>		
Fuel	10,500,851	9,726,301
Chemicals	15,870,720	21,172,680
Other	4,897,077	2,570,953
	<b>31,268,648</b>	<b>33,469,934</b>
<b>39. General expenses</b>		
Advertising, publicity and marketing	2,815,228	2,510,736
Auditors remuneration	4,284,907	3,632,565
Bank charges	2,363,698	2,700,210
Bargaining Council	4,519,903	4,024,748
Commission Third Party Vendors	2,626,036	1,563,260
External computer services	7,461,087	10,351,784
Insurance	6,099,561	6,836,609
Learnerships and interns	1,150,334	3,403,531
Lease rentals on operating leases	14,110,086	13,800,659
Other general expenses	5,422,474	4,457,409
Postage	1,713,271	1,793,531
Printing and publications	3,101,267	3,066,716
Refuse	5,435,006	6,371,449
Skills Development Levy	4,611,975	4,043,307
Telephone and fax	2,276,945	2,673,073
Travel - local	3,754,705	2,359,956
Uniforms	2,113,107	1,836,030
Vehicle Tracking	12,369,194	7,090,639
Workmen's Compensation Fund	2,234,586	2,001,777
	<b>88,463,370</b>	<b>84,517,989</b>

The prior year figures was restated. Refer to note 45 for more detail.



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>40. Cash generated from operations</b>		
Surplus	174,731,124	64,874,395
<b>Adjustments for:</b>		
Depreciation and amortisation	165,172,834	155,475,216
Loss on sale of assets and liabilities	2,762,626	(292,672)
Donated asset receipts included in other income	(225,000)	(504,253)
Finance costs - Finance leases	986,526	1,298,703
Impairment of assets	111,775,999	89,347,357
Movements in bonus provision	21,578	677,017
Movements in provisions	8,211,313	(36,514)
Provisions utilised during the year	(1,811,621)	(1,098,673)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	15,031,920	4,328,601
Movement in Employee benefit asset and liabilities - Staff leave	4,766,287	5,160,428
Benefits paid in terms of employee benefits obligations	(7,635,176)	(6,847,548)
Unspent conditional grants received	600,769,491	550,790,720
Payments from unspent conditional grants	(605,407,392)	(459,831,835)
<b>Changes in working capital:</b>		
(Increase) / Decrease in Inventories	9,733,418	8,963,425
Receivables from exchange transactions	(39,522,657)	(27,935,720)
Other receivables from non-exchange transactions	(73,120,409)	(39,245,949)
(Increase) / Decrease in Prepayments	(1,103,776)	(1,846,902)
Increase / (Decrease) in Trade and other payables from exchange transactions	36,734,002	29,858,972
(Increase) / Decrease in VAT	(3,655,822)	1,009,240
Increase / (Decrease) in Consumer deposits	4,345,871	3,062,621
	<b>402,561,136</b>	<b>377,206,629</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>41. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	58,897,169	110,582,044
• Community	-	2,336,814
• Intangible assets	-	11,184,860
	<b>58,897,169</b>	<b>124,103,718</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	975,661	1,452,304
- in second to fifth year inclusive	47,339	1,023,000
	<b>1,023,000</b>	<b>2,475,304</b>

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.



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Figures in Rand	2018	2017
<b>42. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>Categories of financial instruments carried at amortised cost</b>		
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Housing Scheme Loans	495,831	358,094
Sale of Erven Loans	96,402	95,334
Loans to other organisations	-	12,888
Actaris Meter Debt	250,338	219,362
<b>Trade and other receivables from exchange transactions</b>		
Service debtors	84,030,719	83,958,994
Other debtors	4,849,944	4,791,823
<b>Other receivables from non-exchange transactions</b>		
Other debtors	3,893,200	2,686,133
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	617,784,461	505,440,767
	<b>711,400,895</b>	<b>597,563,395</b>
<b>Financial liabilities</b>		
<b>Loans and borrowings</b>		
Annuity loans	329,480,507	348,285,098
Other loans	361,688	542,532
<b>Finance lease obligation</b>		
Finance lease obligation	8,153,105	11,603,495
<b>Consumer deposits</b>		
Electricity and water deposits	27,168,038	22,822,167
<b>Payables</b>		
Trade payables	214,373,098	176,962,060
	<b>579,536,436</b>	<b>560,215,352</b>
<b>43. Contingencies</b>		
<b>Compensation for damages</b>		
Magnolia Ridge Properties 77 (Pty) Ltd	700,000	-
Mr Reigate	2,000,000	-
Mr Greyling	752,000	-
Southern Cape Brick	1,000,000	-
Acme Tool Hire	1,963,793	-
Coastal Armature Winders and Supplies	500,000	-
J Barnard	-	465,000
Expropriation of Portion 4 of the Farm Sandkraal No. 197	-	1,835,000
N Landu	2,307,000	2,307,000
	<b>9,222,793</b>	<b>4,607,000</b>

Magnolia Ridge Properties 77 (Pty) Ltd: Claimant brought a review application against the George Municipality regarding a decision made to claimant's application for and uses of erven 25538 and 25541. There was also an appeal against a decision on request for rectification of an alleged error on zoning scheme map of erf 25541, Kraaibosch. The possible future amounts payable on these two cases amounts to R700,000.

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 43. Contingencies (continued)

Mr Reigate: The municipality is in an arbitration process relating to this person's service agreement. Possible legal costs payable by the municipality could be R1,500,000 if the arbitration award is given in favour of Mr Reigate.

Mr Greyling: The individual is claiming R752,000 as a result of injuries sustained when he fell at a Go George bus stop. His claim is against the bus operator, George Link, but George Link claims that they are not liable since the municipality is responsible for third party claims as per the Operator Agreement. This matter was referred to the municipality's insurance company.

Southern Cape Brick: The municipality instituted a claim against Southern Cape Brick for illegal mining activities in Thembaletu. Possible legal costs payable by the municipality could be R1,000,000 if the claim is not successful.

Acme Tool Hire: A summons amounting to R1,963,793 was issued against the municipality for lost equipment. This matter was referred to Goussard Attorneys.

Coastal Armature Winders and Supplies: The applicant took the municipality to court for the setting aside of a tender award. In the current application, the municipality only faces a possible court order for cost, which depending on how the other parties involved conduct the matter, might easily amount to as much as R500 000.

J Barnard: The individual was injured in a motor vehicle accident in Blanco when her vehicle crashed into grounded overhead electricity cables which were caused by another vehicle. She issued summons against the municipality of R465,000 for her alleged injuries. The municipality's insurance paid this amount during the year.

Expropriation of Portion 4 of the Farm Sandkraal No. 197: Council is in the process of expropriating Portion 4 of the Farm Sandkraal No. 197, George for low cost housing purposes. Council is willing to compensate the owner in the amount of R1,613 000 which was not accepted. The owner wanted R10,000,000. The matter was subjected to arbitration. The arbitrator suggested that a final valuation be obtained to establish the current market value of the property. A valuation of R1,835,000 was obtained and the arbitrator decided that the market value and legal costs should be paid by the municipality.

N Landu: Acting on behalf of a minor, S Landu, he instituted a claim for damages of R2,307,000 against the municipality as a result of an incident when the minor's hand was injured when the rear loading mechanism of one of the municipality's refuse compactors allegedly closed on the minor's left hand. This matter was referred to the Municipality's insurers.



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**44. Related parties**

**Relationships**

**Councillor**

**Ward**

1	J Säfers
2	DL Cronje
3	EP De Villiers
4	M Barnardt
5	P Louw
6	HH Ingo
7	S Rooiland
8	AD Willemse
9	S Dlikilile
10	BH Mooi
11	CI Lesele
12	B Plata
13	L Langa
14	E Bussack
15	NF Mdaka
16	CH Noble
17	V Muller
18	J van der Westhuizen (Appointed May 2018)
	GC Niehaus (Resigned January 2018)
19	S Snyman
20	M Draghoender
21	NR James
22	G Pretorius
23	GJ Stander
24	M Daniels
25	JD Esau
26	J von Brandis
27	BM Cornelius
Proportional	L Arries
Proportional	N Bungane
Proportional	JP Buys
Proportional	CM Clarke
Proportional	J du Toit
Proportional	RS Figland
Proportional	J Fry
Proportional	V Gericke
Proportional	WT Harris
Proportional	N Jantjies
Proportional	A Kiwit
Proportional	IC Kritzinger
Proportional	H Loff
Proportional	MG Naik
Proportional	J Ncamazana
Proportional	PP Nosana
Proportional	MM Nyakathi
Proportional	B Petrus
Proportional	I Stemela
Proportional	EH Stroebe

**George Local Municipality**  
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**44. Related parties (continued)**

Councillor

Proportional  
Proportional  
Proportional  
Proportional  
Proportional  
Proportional

T Teyisi  
PJ van der Hoven  
GJ van Niekerk  
LD van Wyk  
DJ Wessels  
CT Williams

**Directors**

Directorate Financial Services  
Directorate Corporate Services  
Directorate Human Settlements  
Directorate Planning and Development  
Directorate Civil Engineering Services  
Directorate Electro Technical Services  
Directorate Community Services  
Directorate Protection Services

K Jordaan  
S James - Acting  
C Lubbe  
C Lubbe - Acting  
R Wesso  
P Gerber - Acting  
W Hendricks  
S Erasmus  
T Botha

**Municipal Manager**

**Related party transactions**

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the municipal manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**Loans granted to related parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. The balance of the loans granted to employees amounts to R15,910 and forms part of Sundry Receivables as set out in note 4.

**Compensation of related parties**

Compensation of Key Management Personnel and Councillors is set out in notes 29 and 30 to the Annual Financial Statements.

**GIPTN Compensation Liability**

I Stemela will be receiving another compensation payment of R200,000 with the roll out of the next phases of the George Integrated Public Transport Network. Refer to note 18 for more detail on the provision.

Payments made to related parties

Refer to note 52 for details of payments made to related parties during the year.



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**Notes to the Annual Financial Statements**

Figures in Rand	2018	2017		
45. Prior period errors and reclassifications				
STATEMENT OF FINANCIAL POSITION	2017 previously reported	Reclassification	Prior year error	2017 restated
Assets				
Current Assets				
Inventories	152,202,953	-	-	152,202,953
Trade receivables from exchange transactions	88,750,817	-	-	88,750,817
Trade and other receivables from non-exchange transactions	59,783,789	-	2,987,115	62,770,904
Prepayments	13,667,836	-	-	13,667,836
Loans and receivables	170,376	-	-	170,376
Cash and cash equivalents	505,440,767	-	-	505,440,767
	820,016,538	-	2,987,115	823,003,653
Non-current Assets				
Property, plant and equipment	2,763,889,796	-	-	2,763,889,796
Intangible assets	1,433,212	-	-	1,433,212
Heritage assets	4,236,000	-	-	4,236,000
Investment property	152,088,405	-	-	152,088,405
Loans and receivables	515,302	-	-	515,302
	2,922,162,715	-	-	2,922,162,715
Total Assets	3,742,179,253	-	2,987,115	3,745,166,368
Liabilities				
Current Liabilities				
Loans and borrowings	38,885,435	-	-	38,885,435
Finance lease obligation	4,533,126	-	-	4,533,126
Trade and other payables from exchange transactions	196,188,412	-	(2,349,401)	193,839,011
VAT payable	345,563	-	-	345,563
Consumer deposits	22,822,167	-	-	22,822,167
Employee benefits	48,829,779	-	-	48,829,779
Provisions	11,083,765	-	(2,203,740)	8,880,025
Unspent conditional grants and receipts	104,809,637	-	-	104,809,637
	427,497,884	-	(4,553,141)	422,944,743
Non-Current Liabilities				
Loans and borrowings	309,942,195	-	-	309,942,195
Finance lease obligation	7,070,369	-	-	7,070,369
Employee benefits	139,581,720	-	-	139,581,720
Provisions	75,939,972	-	-	75,939,972
Trade and other payables from exchange transactions	5,459,261	-	-	5,459,261
	537,993,517	-	-	537,993,517
Total Liabilities	965,491,401	-	(4,553,141)	960,938,260
Total Net Assets	2,776,687,852	-	7,540,256	2,784,228,108



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**Notes to the Annual Financial Statements**

Figures in Rand			2018	2017
<b>45. Prior period errors and reclassifications (continued)</b>				
<b>Net Assets</b>				
Housing development fund	63,214,982	-	-	63,214,982
Accumulated surplus	2,713,481,871	-	7,540,255	2,721,022,126
	<b>2,776,696,853</b>	<b>-</b>	<b>7,540,255</b>	<b>2,784,237,108</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

	2017 previously reported	Reclassifi- cation	Prior year error	2017 restated
<b>Revenue from exchange transactions</b>	958,954,574	4,411,056	-	963,365,630
Service charges - Electricity	565,449,873	-	-	565,449,873
Service charges - Water	121,171,738	-	-	121,171,738
Service charges - Sewerage and sanitation charges	81,869,035	-	-	81,869,035
Service charges - Refuse removal	61,813,769	-	-	61,813,769
Service charges - Other	18,439	(18,439)	-	-
Rental revenue	3,756,370	-	-	3,756,370
Income from agency services	9,445,287	(2,297)	-	9,442,990
Licences and permits	2,125,807	-	-	2,125,807
Sale of erven	9,380,586	-	-	9,380,586
GIPTN Fare Revenue	37,301,627	-	-	37,301,627
Other income	25,161,970	4,431,792	-	29,593,762
Interest received - External	37,303,968	-	-	37,303,968
Investments				
Interest received - Outstanding debtors	4,156,105	-	-	4,156,105
<b>Revenue from non-exchange transactions</b>	705,564,046	(4,411,056)	18,495,704	719,648,694
Property rates	211,432,567	-	-	211,432,567
Government grants and subsidies - Operating	310,241,313	-	-	310,241,313
Government grants and subsidies - Capital	149,590,523	-	-	149,590,523
Fines, penalties and forfeits	34,299,643	(4,411,056)	18,495,704	48,384,291
	<b>1,664,518,620</b>	<b>-</b>	<b>18,495,704</b>	<b>1,683,014,324</b>



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Figures in Rand	2018	2017		
45. Prior period errors and reclassifications (continued)				
	2017 previously reported	Reclassifi- cation	Prior year error	2017 restated
<b>Expenditure</b>				
Employee related cost	407,026,726	-	-	407,026,726
Remuneration of councillors	18,800,756	-	-	18,800,756
Depreciation and amortisation	155,475,216	-	-	155,475,216
Impairment losses	72,145,388	-	17,201,969	89,347,357
Finance cost	44,109,261	-	-	44,109,261
Repairs and maintenance	91,716,014	(91,587,954)	(128,060)	-
Bulk purchases	395,856,932	-	-	395,856,932
Contracted services	287,682,748	93,527,514	-	381,210,262
Grants and subsidies paid	121,750	-	-	121,750
Cost of erven sold	8,496,419	-	-	8,496,419
Loss on disposal of assets	101,022	-	(393,694)	(292,672)
Other materials / Inventory	33,469,934	-	-	33,469,934
General Expenses	86,457,549	(1,939,560)	-	84,517,989
	<b>1,601,459,715</b>	<b>-</b>	<b>16,680,215</b>	<b>1,618,139,930</b>
Surplus / (Deficit) for the year	63,058,905	-	1,815,489	64,874,394
<b>CASH FLOW STATEMENT</b>				
	2017 previously reported	Reclassifi- cation	Prior year error	2017 restated
Net cash from operating activities	377,252,452	-	(45,825)	377,206,627
Net cash from investing activities	(211,070,709)	-	45,825	(211,024,884)
Net cash from financing activities	(26,063,635)	-	-	(26,063,635)
Total cash movement for the year	140,118,108	-	-	140,118,108
Cash and cash equivalents at the beginning of the year	365,322,659	-	-	365,322,659
	<b>505,440,767</b>	<b>-</b>	<b>-</b>	<b>505,440,767</b>

Certain comparative figures have been reclassified due to incorrect allocations in the prior period. These reclassifications do not have any effect on the accumulated surplus except where indicated.



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Figures in Rand	2018	2017
<b>45. Prior period errors and reclassifications (continued)</b>		
<b>45.1 Prior year error: Clearing of alien vegetation</b>		
The provision for the clearing of alien vegetation is an ongoing maintenance activity rather than an obligating event on any particular year and the provision is therefore reversed.		
The effect of this correction is as follows:		
(Increase) / Decrease in Contracted Services		128,060
Increase / (Decrease) in Provisions		(2,203,740)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2016		2,075,680
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017</b>		<b>2,203,740</b>

**45.2 Prior year error: Traffic fines**

The municipality did not account for all spot fines issued by the municipality and by the provincial traffic department. The effect of these spot fines and the impairment of thereof is as follows:

(Increase) / Decrease in Receivables from non-exchange transactions	(2,987,115)
Decrease / (Increase) in Payables from exchange transactions	2,349,401
Increase / (Decrease) in Fines, penalties and forfeits	18,495,704
(Increase) / Decrease in Impairment loss	(16,808,275)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2016	3,649,086
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017</b>	<b>5,336,515</b>

**45.3 Reclassification of income and expenses to conform with the Standard Chart of Accounts for Local Government**

National Treasury issued a Standard Chart of Accounts for Local Government (mSCOA) and the municipality adopted the chart of accounts on 1 July 2016.

National Treasury have to report on consolidated local government information for incorporation in national accounts and national policy and must obtain financial information from individual municipalities. Currently, each municipality manages and reports on its financial affairs in accordance with its own organisational structure and unique chart of accounts. The result is a disjuncture amongst municipalities and the other spheres of government as to how they classify revenue and expenditure and consequently report thereon.

With mSCOA, National Treasury has specified norms and standards for recording and collecting local government budget, financial and non-financial information. This will result in a seamless alignment of information between budgeted information and the actual achievements in financial statements.

During the previous financial year, all balances were reclassified to conform with the mSCOA chart of accounts. This balance was reclassified in the current year as follows:



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Figures in Rand	2018	2017	
45. Prior period errors and reclassifications (continued)			
Revenue	2017	mSCOA reclassification	2017 reclassified
Service charges - Other	18,439	(18,439)	-
Income from agency services	9,445,287	(2,297)	9,442,990
Other income	25,161,970	4,431,792	29,593,762
	<u>34,625,696</u>	<u>4,411,056</u>	<u>39,036,752</u>
Expenditure	2017	mSCOA reclassification	2017 reclassified
Repairs and maintenance	91,716,014	(91,716,014)	-
Contracted services	287,682,748	93,655,574	381,338,322
General expenses	86,457,549	(1,939,560)	84,517,989
	<u>465,856,311</u>	<u>-</u>	<u>465,856,311</u>

**45.4 Impairment of loans and borrowings incorrectly classified as loss on disposal of assets and liabilities**

The accounts for the impairment and write off of the loans and receivables was incorrectly classified as loss on disposal of assets and liabilities. This incorrect allocation was corrected as follows:

(Increase) / Decrease in Loss on disposal of assets and liabilities	393,694
(Increase) / Decrease in Impairment loss	(393,694)
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017</b>	<b>-</b>

**46. Risk management**

**Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's Treasury function provides services to the business, co-ordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The municipality seeks to minimise the effects of these risks in accordance with its policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Director Financial Services on a continuous basis. The municipality does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.



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**46. Risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 30 June 2018</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	73,490,648	63,187,807	170,544,003	184,524,442
Consumer deposits	27,168,038	-	-	-
Trade and other payables	192,399,658	2,584,831	645,144	-
<b>At 30 June 2017</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	74,900,183	68,375,632	163,388,514	255,453,395
Consumer deposits	22,822,167	-	-	-
Trade and other payables	162,766,463	3,365,468	2,093,792	-

**Interest rate risk**

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

**Credit risk**

Credit risk is the risk that a counterparty to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

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**46. Risk management (continued)**

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

<b>Financial instruments</b>	<b>2018</b>	<b>2017</b>
Loans and receivables	842,571	685,678
Receivables from exchange transactions	88,880,663	88,750,817
Receivables from non-exchange transactions	38,268,554	62,770,904
Cash and cash equivalents	617,784,461	505,440,767
	<b>745,776,249</b>	<b>657,648,166</b>

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

**Price risk**

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**47. Unauthorised expenditure**

**Depreciation**

Opening balance	-	-
Unauthorised expenditure current year	8,663,441	-
Approved by Council	-	-
	<b>8,663,441</b>	<b>-</b>

Unauthorised expenditure on depreciation relates to actual depreciation being more than budgeted.



## Notes to the Annual Financial Statements

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### 47. Unauthorised expenditure (continued)

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year end to be condoned.

#### Impairment losses

##### Reconciliation of unauthorised expenditure

Opening balance	51,865,079	26,335,465
Unauthorised expenditure current year	47,637,439	25,529,614
Approved by Council	(35,056,804)	-
	<b><u>64,445,714</u></b>	<b><u>51,865,079</u></b>

Unauthorised expenditure consist out of in increase in the debt impairment provision of traffic fines and consumer debtors being more than budgeted.

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year end to be condoned.

The balance of the prior year unauthorised expenditure was increased from R8,721,339 to R25,529,614 as a result of a prior year error on traffic fines. Refer to note 45.2. The increased amount will be presented to Council after year end to be condoned.

#### Finance charges

##### Reconciliation of unauthorised expenditure

Opening balance	9,399,471	4,610,535
Unauthorised expenditure current year	6,030,588	4,788,936
Approved by Council	(9,399,471)	-
	<b><u>6,030,588</u></b>	<b><u>9,399,471</u></b>

The unauthorised expenditure relates to the interest charge on the provision for the rehabilitation of the landfill sites and the provision for the GIPTN Compensation Liability not being budgeted for. Refer to note 18 for more detail.

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year for approval.



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<b>47. Unauthorised expenditure (continued)</b>		
<b>Other materials / Inventory</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	5,801,824	-
Unauthorised expenditure current year	-	5,801,824
Approved by Council	(5,801,824)	-
	<u>-</u>	<u>5,801,824</u>
<b>Loss on disposal of PPE</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	97,823	-
Unauthorised expenditure current year	-	97,823
Approved by Council	(97,823)	-
	<u>-</u>	<u>97,823</u>
<b>Capital expenditure</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	2,350,696	2,350,696
Unauthorised expenditure current year	-	-
Approved by Council	(2,350,696)	-
	<u>-</u>	<u>2,350,696</u>



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# George Local Municipality

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## Notes to the Annual Financial Statements

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<b>48. Irregular expenditure</b>		
Opening balance	124,830	137,071
Add: Irregular Expenditure - current year	11,721,578	-
Less: Amounts condoned	-	(12,241)
	<b>11,846,408</b>	<b>124,830</b>

The irregular expenditure above as well as the items below is being referred to a Section 32 committee for a recommendation to Council.

### Details of irregular expenditure

#### Current year irregular expenditure:

3 quotations not obtained	595,608
PPPFA Points System	795,687
Deviations not valid	4,464,284
Declaration of interest (MBD4) not obtained	509,607
Unfair awarding of points to the winning bidder during functionality	5,356,392
	<b>11,721,578</b>

Section 44 of the MSA outlines the functions and powers of the executive committee. None of these powers and functions include a role in individual procurement transactions. Section 56 of the MSA outlines the powers and functions of the executive mayor. None of these powers and functions include a role in individual procurement transactions. MFMA Section 117 states that: "Councillors barred from serving on municipal tender committees. No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer." A section 80 committee operates as per mandate from the executive mayor or executive committee – and such mandate shall not include involvement in tender processes as this is not within the scope of the powers and functions of the executive committee or executive mayor. Instance whereby the section 80 committee were involved in the tender process was identified. The municipality has not been able to quantify the impact of the above.

#### Prior year irregular expenditure:

Procurement of goods and services in the upgrading of various sport facilities: The case reported in the 30 June 2015 financial statements for the procurement of goods and services in the upgrading of various sport facilities has been investigated but is not finalised yet. To date the irregular expenditure amounts to R78,760. This matter still has to appear before a Section 32 committee for consideration and should be concluded in the following financial year. A debtor was raised for this amount.

Overpayment of telephone allowance and petrol advance for the previous mayor: The previous mayor received an overpayment of this telephone allowance and petrol advance during the period 25 June 2011 to 25 January 2014. This expenditure incurred by the municipality is not in accordance with the requirement of the Public Office-Bearers Act. The overpayment was charged to the previous mayor's services account with the municipality.

### **Alleged Irregular Expenditure under investigation**

The municipality was, in terms of Section 32 of the Municipal Finance Management Act (No. 56 of 2003) or is in the process of conducting two investigations regarding alleged irregular expenditure committed by municipal officials.



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### 48. Irregular expenditure (continued)

An incident of alleged irregular expenditure committed by municipal officials in the procurement of sewer network, pumpstations and switchgear maintenance for pumpstations was reported to Council during the previous financial year. This incident is still under investigation and the quantum cannot be determined yet. This will be possible once the processes are concluded and the matter referred to the Section 32 committee and subsequently resolved by Council.

-

### 49. Fruitless and wasteful expenditure

Opening balance	687,271	168,368
GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase	-	518,903

<b>687,271</b>	<b>687,271</b>
----------------	----------------

#### Fruitless and wasteful expenditure consist out of the following:

Interest paid on incorrect submission of the Value Added Tax return at SARS	22,193	22,193
Procurement of goods and services in the upgrading of various sport facilities	103,063	103,063
Misuse of a 3G data card	43,112	43,112
GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase	518,903	518,903

<b>687,271</b>	<b>687,271</b>
----------------	----------------

Procurement of goods and services in the upgrading of various sport facilities: The case reported in the 30 June 2015 financial statements as alleged irregular expenditure for the procurement of goods and services in the upgrading of various sport facilities has been investigated but is not finalised yet. To date the fruitless and wasteful expenditure amounts to R103,063. A debtor was raised for this amount during the previous financial year.

The fruitless and wasteful expenditure of 30 June 2018 is being referred to a Section 32 committee for a recommendation to Council.

### 50. Material losses

#### Electricity distribution

Units purchased (KWh)	470,867,215	471,388,798
Units lost during distribution	35,741,355	36,047,703
Percentage lost during distribution	7.59	7.65

#### Water distribution

Kilolitres purified	11,187,913	13,157,011
Kilolitres lost during distribution	3,025,560	3,908,501
Percentage lost during distribution	27.04	29.71



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<b>51. In-kind donations and assistance</b>		
The following assets have been donated to the municipality and form part of the Investment property additions for the year:		
<b>Property, plant and equipment</b>		
Vehicles for the law enforcement department	-	410,650
Electronic equipment for the housing department	-	14,647
Computer equipment for the branch libraries	-	78,956
<b>Investment property</b>		
Skatelab building	225,000	-
	<b>225,000</b>	<b>504,253</b>
<b>52. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	(3,923,844)	(3,245,749)
Current year subscription / fee	3,923,844	3,725,739
Amount paid - current year	(4,504,678)	(4,403,834)
Prepayment - Refer to note 5	<b>(4,504,678)</b>	<b>(3,923,844)</b>
The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 5 for more detail.		
<b>Audit fees</b>		
Current year subscription / fee	4,284,907	3,465,843
Amount paid - current year	(4,284,907)	(3,465,843)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	66,952,257	59,292,452
Amount paid - current year	(66,952,257)	(59,292,452)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	93,269,333	78,109,994
Amount paid - current year	(93,269,333)	(78,109,994)
	-	-
<b>VAT</b>		
VAT receivable / (payable)	3,310,259	(345,563)

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.



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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at any point in time during the year ended 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
	-	-	-
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
HH Ingo	3,841	21,248	25,089

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

#### 2018

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,000
Office of the Municipal Manager	554,395	1,907,705	805,392	-
Civil Engineering Services	510,326	6,363,727	13,009,524	-
Community Services	802,881	1,923,357	4,849,325	-
Corporate Services	155,466	294,670	1,343,989	2,223,989
Electro-technical Services	491,256	919,751	1,056,743	2,300,000
Financial Services	72,913	955,003	2,037,918	-
Human Settlement	18,608	94,034	-	-
Planning and Development	190,556	200,084	500,000	-
Protection Services	185,783	796,793	387,780	-
	<b>2,982,184</b>	<b>13,455,124</b>	<b>23,990,671</b>	<b>4,523,989</b>

#### 2017

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,000
Office of the Municipal Manager	775,041	1,595,647	727,991	-
Corporate Services	187,072	339,342	504,108	2,971,828
Civil Engineering Services	497,983	2,387,493	-	9,195,661
Electro-technical Services	483,508	1,005,065	1,901,791	-
Human Settlement, Land Affairs & Planning	46,398	281,550	319,369	-
Community Services	863,744	1,603,970	1,287,704	-
Financial Services	109,134	272,354	486,000	-
	<b>2,962,880</b>	<b>7,485,421</b>	<b>5,226,963</b>	<b>12,167,489</b>



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**52. Additional disclosure in terms of Municipal Finance Management Act (continued)**

The major deviations were as follows:

**2018**

<b>Awarded</b>	<b>Amount</b>	<b>Reason / Explanation</b>
Metsi Chem iKapa	7,192,317	Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Chlorcape	5,772,686	Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Microsoft	4,245,097	Sole supplier - Software licenses, Enterprise agreement & Azure Commit.
Numecento	3,525,379	Impossible to follow the official procurement process. Service providers on year tender did not have the equipment available for the War on Waste project: Hiring of TLB's and Trucks.
Powerrec TRF	2,300,000	Emergency . Rewinding of bonar long transformer
Mr Noodles	1,206,576	Impossible to follow the official procurement process. Emergency Service providers on year tender did not have the equipment available. War on Waste project and bulldozer for refuse site: Hiring of trucks and bulldozers.
Ultra Water	782,952	Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Almex Transport Solutions	772,188	Sole supplier for the fare collection and ticket validation systems.
ESRI SA	620,206	Exceptional case and impractical to follow the official procurement process. ESRI is the current supplier of the enterprise wide GIS solution - GIS development and maintenance
A Bruinders	500,000	Acquisition of repair workers to historical building - Repairs and restoration of the heritage building in Pacaltsdorp
Adenco Construction	435,784	Impossible to follow the official procurement process. Contractor on site need to repair work on 66Kv line
Elements Consulting Engineers	362,296	Impossible to follow the official procurement process. Elements were appointed for the design of phase 2 in the construction monitoring of Ballots Bay to Glenwood 66Kv line.
First Technology	294,670	Impossible to follow the official procurement process. First Technology was appointed by Microsoft as their solutions partner for Business Support
Reinhausen SA	258,662	Emergency. Repairs to OLTC situated at Protea sub station.
Outeniqua Plastics	234,749	Impossible to follow the official procurement process. Tender is in the final stage of evaluation. Direct negotiations with suppliers for black refuse bags.
Eden FAM	220,833	Sole supplier of radio talk slots and adverts
Business Engineering	220,000	Sole supplier of the Collaborator system support service
RAW Projects	216,602	Impossible to follow the official procurement process. Formal process were followed without any success - Specialised trailers.
Huber Technology	216,545	Sole supplier of Huber equipment
JPCE (Pty) Ltd	215,346	Emergency. Waste diversion feasibility study
Brasika Consulting	200,151	Impossible to follow the official process. Adv Venter has previously provided professional services to the municipality including governance arrangements relating to the IGA and FA - Legal advice: Review of existing contracts with DTPW in relation to GIPTN

**29,793,039**

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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

2017

Awarded	Amount	Reason / Explanation
Entsha Henra	9,195,661	Impossible to follow the official procurement process. Urgently needed to construct bulk sewer to connect to areas 8A, B, C and 3.
Microsoft	2,971,828	Sole supplier
BDE Electrical & Adenco Construction	1,424,899	Emergency: Vandalism of line
Almex Transport Solutions	512,544	Sole supplier
Canon	504,108	Impractical to follow the official procurement process due to the compatibility of the hardware
NMS Management Solutions	486,000	Exceptional case and impossible to follow the official procurement process
Numocento (Pty) Ltd	484,842	Impossible to follow the official procurement process. Service providers on the tender didn't have the equipment available.
ABB South Africa	476,892	Emergency. Power supply to Eden Meander
Mr Noodles	388,512	Impossible to follow the official procurement process. Service providers on the tender didn't have the equipment available.
Must Build	319,369	Emergency. Relocated 19 families in Golden Valley
Eden FM	215,447	Sole supplier of specific community radio station. Utilization of radio airtime
TCS	212,000	Impossible to follow the official procurement process. Sole supplier of specific product.
Electrical Pro	202,350	Impossible to follow the official procurement process. Direct negotiations with suppliers.
OTI Petrosmart	200,000	Impossible to follow the official procurement process. Sole supplier of specific product.
	<b>17,594,452</b>	



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**52. Additional disclosure in terms of Municipal Finance Management Act (continued)**

**Purchases from persons in service of the state**

The municipality made the following payments to companies / persons in service of the state:

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship		
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-Transand	Various	Various	Various	Various	18,591,438	20,398,836
Aurecon SA (Pty) Ltd	Various	Various	Various	Various	8,242,802	7,221,025
	ZB Ebrahim	Non-executive director	Social Housing Regulatory			
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	6,012,271	7,123,439
ABSA Bank	M Ramos	CEO	SA Politician	Spouse	5,725,430	5,898,205
	LL Von Zeuner	Director	Department of Health	Brother		
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Courts	Spouse	4,439,775	10,809,397
Royal Haskoning DHV	JD van Eeden	Member	Councillor Langeberg	Brother	4,147,731	16,101,754
			Department of Water Affairs	Nephew		
iKapa Reticulation and Flow CC	SFA Davids	Director	Western Cape Education Department - Teacher	Spouse	2,518,219	1,569,713
Minolta SA:George	KR Mthimunya	Non-executive director	Mintek		1,997,473	1,898,741
ISHS	CM Willemsse	Director	Teacher	Parent	1,339,416	1,056,837
Delacom	VV Zwane	Director	Social Worker	Spouse	1,299,040	-
Trentyre	MP Mona	Member	SA Forestry Company		1,266,357	84,122
	A Sing	Non-executive director	DBSA			
Raubenheims Incorporated	WM Luttig	Director	Teacher	Spouse	1,115,135	1,915,599
DWMN Contractors	D Williams	Owner	Official at George Municipality		-	13,100
Conlog	L Moodley	Commercial director	Provincial Health Department of KZN	Spouse	904,366	840,533
	L Gaxeni	Quality Manager	Eskom KZN: Deductor Manager	Spouse		
Adenco Construction	V Machimana	Director	Department of Health	Parent	687,847	360,267
	DCC Jackson	Director	Teacher	Parent		
SMS ICT Choice (Pty) Ltd	SS Maqula	Director	Eastern Cape Department of Human Settlements (Director)	Spouse	390,467	339,976
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner		351,507	129,082

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**52. Additional disclosure in terms of Municipal Finance Management Act (continued)**

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship		
Servelec (Pty) Ltd	W Louw	Proposals Manager	SARS Port Elizabeth - Debtors Clerk	Spouse	318,606	2,852,044
2 Brothers Enterprise	J Booysen	Director	Official at George Municipality	Sister in law	309,500	49,367
Total Client Service	V Zitumane	Member	EC Parks & Tourism		258,638	241,652
	BKD Mafu	Non-executive director	EC Liquor Board			
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	232,569	195,920
Wolfe Pack Race	K Langeveldt	Director	Councillor at George Municipality	Spouse	207,543	131,699
			Councillor at George Municipality	Brother		
PNB Civils	P Barnardo	Director	Was employed at Mossel Bay Municipality		205,991	-
DNF Construction	DF Noemdoe	Owner	Official at George Municipality	Sister	203,397	-
Gibb (Pty) Ltd	Various	Various	Various	Various	199,500	-
Tuiniqua Consulting Engineers	E Huistra	Member	Department of Education	Spouse	160,338	243,143
Zuksem projects 01 (Pty) Ltd	BM Bokwe	Owner	Official at George Municipality	Business Partner	133,990	-
Montidox CC	N Beja	Director	Department of Health	Spouse	129,978	336,030
INCA Portfolio Managers	M Mokoene	Non-executive director	Gautrain Management Agency		93,720	75,240
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	79,304	99,777
Avela General Service and Construction	N Nongogo	Owner	Department of Health: Ambulance Assistant	Son	46,203	54,953
	P Nongogo	Owner	Department of Health: Admin Clerk	Daughter		
CMS Consulting Service	CAJ Vancoillie		WC Provincial Government: Chief Town & Regional Planner	Son	43,958	-
Omnisolar	JE Albert	Member	Not Indicated	Spouse	14,884	11,041
A Louw t/a Goossen, Clough & Louw	A Louw	Director	Western Cape Education Department	Spouse	14,854	91,666
Jaji Bee Relocation and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	13,800	29,600
Nikwe Enterprise (Pty) Ltd	M Olivier	Owner	Admin Officer Housing	Wife	2,800	-

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**52. Additional disclosure in terms of Municipal Finance Management Act (continued)**

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship		
Old Mutual Investments	S Cronje		Councillor at George Municipality	Son	Investments	
MVD Consulting Engineers	CV Swart	Director	Teacher	Spouse	-	2,485,464
Noble Enterprise	J Noble	Director	Councillor at George Municipality	Spouse	-	172,963
NB Trading and Garage Doors	JJ Frans	Owner	Official at George Municipality	Spouse	-	131,589
Leap Quantity Survey	AN Grobler	Director	Department of Justice	Spouse	-	70,538
Huriqua (Pty) Ltd	C Lamberts	Director	Deputy Director WC Agriculture		-	22,170
					<b>61,698,847</b>	<b>83,033,312</b>

**53. Utilisation of Long-term liabilities reconciliation**

Long-term liabilities raised	329,842,195	348,827,630
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. Refer to note 13 for detail of long-term liabilities.

**54. Municipal Land Transport Fund**

Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.24 for more information on the fund.

The transactions for the year were:

Opening balance	10,054,101	351
National grants	124,764,718	72,998,000
Provincial grants	95,545,129	91,134,776
Fare revenue	39,419,283	37,301,627
Other income	1,883,825	1,171,947
Interest received	348,600	2,609,325
Less: Expenses	(252,381,748)	(195,161,925)
	<b>19,633,908</b>	<b>10,054,101</b>

**55. Budget differences**

**55.1 Investment revenue**

The variance of 20% between the actual and budget amounts received relates to the bank interest received being more than anticipated.

**55.2 Debt impairment**

The difference between the final adjustments budget and the actual amounts is 54%. The differences consist of an increase in the provision of consumer debtors handed over for collection.

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 55. Budget differences (continued)

#### 55.3 Finance charges

The difference between the final adjustments budget and the actual amounts is 16%. The differences consist the interest on the provisions for the rehabilitation of the landfill site and GIPTN compensation provision. Refer to note 18 for detail.

#### 55.4 Transfers and grants

The difference between the final adjustments budget and the actual amounts is 94%. There was R1,000,000 budgeted in this category and was spent but was accounted for as part of contracted services.

#### 55.5 Transfers recognised - capital

The variance of 19% between the actual amount spent and the amount budgeted is due to the under spending on the Nelson Mandela Boulevard capital project.

#### 55.6 Capital - Finance and Administration

The difference between the final adjustments budget and the actual amounts is 19% and consist of the fire detection system and extension of the reception area at Community Services which was not completed and rolled over to the 2019 financial year.

#### 55.7 Capital - Community Services

The difference between the final adjustments budget and the actual amounts is 36% and consist of vehicles that was not purchased during the financial year. The budget for the Super Sucker was less than the tender amount and the department decided to cancel the process.

#### 55.8 Capital - Public safety

The difference between the final adjustments budget and the actual amounts is 33% and consist of a saving on the procurement of a bakkie at Fire Services which is funded by a Provincial Grant. A request for roll over to the 2019 financial year was submitted.

#### 55.9 Capital - Planning and development

The difference between the final adjustments budget and the actual amounts is 11% and consist of the savings on smaller projects.

#### 55.10 Capital - Road transport

The difference between the final adjustments budget and the actual amounts is 15% and consist out of work that was done on proclaimed roads (Courtney Street) and this expenditure was moved to the operational expenditure as this asset is not an asset of the Municipality.



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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2018  
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Figures in Rand	2018	2017
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**55. Budget differences (continued)**

**55.11 Capital - Electricity**

The difference between the final adjustments budget and the actual amounts is 28%. There was delays in the awarding of the tender for the Thembaletu / Glenwood 66kv overhead line projector funded from INEP. A request to roll over the grant to the 2019 financial year was submitted.

**55.12 Capital - Water**

The difference between the final adjustments budget and the actual amounts is 30% and consist mainly out of underspending on the raising of the Garden Route Damwall project. A letter of appointment was sent to a successfully contractor in January but the contractor withdrew his tender. The project will be rolled over to the 2019 financial year.

**55.13 Capital - Waste Water Management**

The difference between the final adjustments budget and the actual amounts is 22% and consist mainly out of the delay in the upgrading of the Outeniqua waste water treatment works which will be rolled over to the 2019 financial year.

**55.14 Capital - Waste management**

The difference between the final adjustments budget and the actual amounts is 35% and consist mainly out of the building and compost plan which could not be completed because the estimated cost was more than the budget. Extension of the transfer station project could also not be completed because the PPPFA conditions needed to be reworked.

**55.15 Capital - Other**

The difference between the final adjustments budget and the actual amounts is 49% and consist of work done on the website which was transferred to the operating budget.

**55.16 Capital expenditure: Executive and council**

The difference between the final adjustments budget and the actual amounts is 94%. The municipality budgeted to buy a building but instead a three year rental agreement was entered into to lease additional office space in the old ABSA building.

**55.17 Other own revenue**

The difference between the final adjustments budget and the actual amounts is 14% and consist mainly out of traffic fines. The actual amounts received from traffic fines was budgeted for and not the traffic fines issued.

**56. Events after the reporting date**

On Friday 26 October 2018 a veld fire occurred in the George municipal area and the fire continued for a few days. To date the financial impact of the fire is unknown



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GEORGE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
Appendix to the Financial Statements

Property, plant and equipment - detailed analysis

2018	Cost				Work in progress						Accumulated depreciation								Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	Transfer	Transfers	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	Transfer	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Impairments / Impairment reversal	Disposals	Transfers	C/Fwd.Deprec.	
<b>INFRASTRUCTURE</b>																			
ACCESS CONTROL ELECTRICITY	23,152	185,185	-	-	-	208,337	416,673	-	-	-	-	-	(9,286)	(17,010)	-	-	-	(26,296)	390,377
ACCESS CONTROL WATER	28,000	-	-	-	-	28,000	56,000	-	-	-	-	-	(15)	(5,600)	-	-	-	(5,615)	50,385
BRIDGES, SUBWAYS & CULVERTS	22,775,387	9,192,339	-	-	-	31,967,725	63,935,450	-	-	-	-	-	(6,555,618)	(1,012,757)	-	-	-	(7,568,375)	56,367,075
BUS TERMINALS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BUS STOP	26,609,775	5,521,868	1,415,864	-	-	33,547,507	67,095,014	3,299,323	7,724,485	(1,415,864)	-	9,607,944	(1,966,893)	(1,331,440)	-	-	-	(3,298,333)	73,404,625
CAR PARKS	3,936,284	199,192	-	-	-	4,135,476	8,270,952	-	-	-	-	-	(1,757,304)	(181,194)	-	-	-	(1,938,498)	6,332,455
FENCING ELECTRICITY	14,654,432	-	-	-	668,632	15,323,064	30,646,128	-	-	-	-	-	(2,186,024)	(4,449,219)	-	-	-	(6,635,243)	24,010,884
FENCING WASTE WATER	4,422,426	-	-	-	-	4,422,426	8,844,851	-	-	-	-	-	(3,283,880)	(344,905)	-	-	-	(3,628,785)	5,216,066
FENCING WATER	3,197,666	-	-	-	-	3,197,666	6,395,333	-	-	-	-	-	(2,201,093)	(112,659)	-	-	-	(2,313,752)	4,081,581
FOOTWAYS	26,463,664	-	-	-	-	26,463,664	52,927,328	-	-	-	-	-	(4,009,196)	(1,398,787)	-	-	-	(5,407,983)	47,519,346
KERBING	893,326	-	-	-	-	893,326	1,786,653	-	-	-	-	-	(233,498)	(44,664)	-	-	-	(278,161)	1,508,492
LANDFILL SITE	10,327,047	-	-	-	-	10,327,047	20,654,094	-	-	-	-	-	(5,341,727)	(2,065,368)	-	-	-	(7,407,095)	13,246,999
LOAD CONTROL EQUIPMENT	14,593,980	573,697	-	-	-	15,167,677	30,335,354	-	-	-	-	-	(4,202,805)	(610,243)	-	-	-	(4,813,048)	25,522,305
MAINS ELECTRICITY	6,605,422	-	-	-	-	6,605,422	13,210,844	-	-	-	-	-	(3,483,644)	(345,192)	-	-	-	(3,828,836)	9,382,008
MAINS WATER	12,577,517	-	-	-	-	12,577,517	25,155,034	-	-	-	-	-	(4,930,827)	(538,348)	-	-	-	(5,469,176)	19,685,858
METERS ELECTRICITY	460,793	78,883	-	-	-	539,676	1,079,351	-	-	-	-	-	(160,737)	(23,568)	-	-	-	(184,304)	895,047
METERS WATER	7,801,848	339,108	-	-	-	8,140,957	16,281,913	-	-	-	-	-	(4,315,654)	(429,119)	-	-	-	(4,744,774)	11,537,140
MOTORWAYS	308,314	-	-	-	-	308,314	616,629	-	-	-	-	-	(206,217)	(20,554)	-	-	-	(226,771)	389,857
OUTFALL SEWERS	727,862	768,512	-	-	-	1,496,374	2,992,748	3,000,000	2,821,938	-	-	5,821,938	(270,405)	(306,902)	-	-	-	(577,307)	8,507,784
PAVING	29,159,308	1,131,224	(40,118)	-	2,498,207	32,748,621	65,497,241	-	40,118	-	-	40,118	(9,730,635)	(1,517,768)	-	-	-	(11,248,403)	54,288,956
PIPELINES	73,141,367	-	-	-	-	73,141,367	146,282,733	-	-	-	-	-	(22,762,385)	(3,656,241)	-	-	-	(26,418,626)	119,864,107
POWER STATIONS	527,809	-	-	-	-	527,809	1,055,617	-	-	-	-	-	(514,380)	(3,868)	-	-	-	(518,248)	537,369
PUMP STATIONS	99,913,501	235,850	-	-	-	100,149,351	200,298,701	5,852,022	1,889,942	-	-	7,741,984	(36,895,128)	(4,961,455)	-	-	-	(41,856,583)	166,184,102
PURIFICATION WORKS	59,029,457	188,300	(28,289,279)	-	35,430,404	66,358,882	132,717,764	34,032,854	28,289,279	-	-	62,322,133	(14,422,720)	(3,700,367)	-	-	-	(18,123,088)	176,916,809
OTHER ROADS	565,202,510	4,432,767	(80,177,220)	-	103,324,148	592,782,205	1,185,564,411	39,301,771	80,177,220	-	-	119,478,992	(324,275,928)	(44,497,828)	-	-	22	(368,773,734)	936,269,669
SECURITY SYSTEMS ROADS	5,054,592	-	-	-	-	5,054,592	10,109,184	-	-	-	-	-	(2,770)	(1,010,898)	-	-	-	(1,013,667)	9,095,517
SECURITY SYSTEMS WASTE WATER	211,041	477,744	-	-	-	688,785	1,377,569	-	-	-	-	-	(132,102)	(23,429)	-	-	-	(155,532)	1,222,037
SECURITY SYSTEMS WATER	33,051	-	-	-	-	33,051	66,102	-	-	-	-	-	(31,435)	(321)	-	-	-	(31,756)	34,346
SECURITY LIGHTING ELECTRICITY	929,687	-	-	-	-	929,687	1,859,373	-	-	-	-	-	(62,318)	(61,978)	-	-	-	(124,296)	1,735,077
SECURITY SYSTEMS ELECTRICITY	1,457,935	69,957	-	-	-	1,527,892	3,055,785	-	-	-	-	-	(920,260)	(70,503)	-	-	-	(990,763)	2,065,021
SEWERS	249,952,636	(2,708,296)	(4,733,555)	-	4,733,555	247,244,340	494,488,680	54,136,688	4,733,555	(4,164,111)	-	54,706,131	(101,082,332)	(11,006,257)	-	-	-	(112,088,589)	437,106,222
SLUDGE MACHINES	4,791,182	-	-	-	-	4,791,182	9,582,365	-	-	-	-	-	(2,666,747)	(208,930)	-	-	-	(2,875,677)	6,706,687
SEWERAGE PUMPS	19,373,501	-	-	-	-	19,373,501	38,747,003	-	-	-	-	-	(8,771,264)	(1,129,967)	-	-	-	(9,901,231)	28,845,771
STREET LIGHTING	29,787,586	5,797,809	(2,496,778)	-	3,172,064	36,260,682	72,521,363	357,103	2,496,778	-	-	2,853,881	(11,813,766)	(1,200,274)	-	-	-	(13,014,040)	62,361,204
SUPPLY/RETICULATION ELECTR	250,810,532	372,949	(13,972,996)	-	14,270,655	251,481,140	502,962,280	4,112,116	13,972,996	(8,924)	-	18,076,188	(102,060,374)	(11,148,286)	-	-	-	(113,208,661)	407,829,808
SUPPLY/RETICULATION GAS	2,439,947	-	-	-	-	2,439,947	4,879,894	-	-	-	-	-	(1,109,666)	(121,995)	-	-	-	(1,231,661)	3,648,233
SUPPLY/RETICULATION WATER	278,395,638	2,653,937	-	-	-	281,049,575	562,099,151	3,698,291	4,396,576	-	-	8,094,867	(124,497,788)	(12,917,161)	-	-	-	(137,414,949)	432,779,069
STORMWATER DRAINS	115,942,407	114,989	-	-	-	116,057,396	232,114,791	-	3,500	-	-	42,934	(46,977,400)	(6,896,571)	-	-	-	(53,873,972)	178,283,754
SWITCHGEAR EQUIPMENT	25,734,000	2,570,124	-	-	-	28,304,124	56,608,248	5,009,655	217,253	-	-	5,226,908	(10,824,359)	(1,326,260)	-	-	-	(12,150,609)	39,736,610
RESERVOIRS & TANKS	25,549,881	56,537	(19,191,330)	-	19,191,330	25,606,419	51,212,837	22,858,279	19,191,330	-	-	42,049,610	(12,784,708)	(1,041,261)	-	-	(22)	(13,825,991)	79,436,456
TAXIWAYS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TIP SITE GEORGE	3,945,374	2,498,890	-	-	-	6,444,264	12,888,528	-	-	-	-	-	(3,440,243)	(484,329)	1,621,859	-	-	(2,302,713)	10,585,814
TIP SITES	9,887,592	-	-	-	-	9,887,592	19,775,185	522,467	8,348	-	-	530,815	(3,677,466)	(332,888)	-	-	-	(4,010,355)	16,295,645
TRANSFORMER KIOSKS	110,383,793	-	-	-	-	110,383,793	220,767,587	812,564	1,926,472	-	-	2,739,036	(30,106,210)	(3,690,503)	-	-	-	(33,796,713)	189,709,910
TRAFFIC ISLANDS	357,019	-	-	-	-	357,019	714,037	-	-	-	-	-	(106,029)	(35,034)	-	-	-	(141,063)	572,974
TRAFFIC LIGHTS	20,583,602	10,017,560	1,687,119	-	-	32,288,281	64,576,562	1,687,119	1,657,779	(1,687,119)	-	1,657,779	(6,836,524)	(1,059,101)	-	-	-	(7,895,626)	58,338,716
STREET NAMES & TRAFFIC SIGNS	860,794	-	-	-	-	860,794	1,721,589	-	-	-	-	-	(550,912)	(50,278)	-	-	-	(601,190)	1,120,399
	<b>2,142,882,697</b>	<b>44,789,126</b>	<b>(145,798,293)</b>	-	<b>183,288,994</b>	<b>2,225,162,525</b>	<b>4,450,325,050</b>	<b>176,713,864</b>	<b>169,547,631</b>	<b>(7,276,017)</b>	-	<b>338,985,478</b>	<b>(922,170,911)</b>	<b>(125,120,906)</b>	<b>1,621,859</b>	-	-	<b>(1,045,669,959)</b>	<b>3,743,640,569</b>
<b>COMMUNITY</b>																			
ACCESS CONTROL COMMUNITY	-	260,533	-	-	-	260,533	521,067	-	-	-	-	-	-	(243,001)	-	-	(775,576)	(1,018,578)	(497,511)
ANIMAL POUND	103,613	-	-	-	-	103,613	207,227	-	-	-	-	-	(96,360)	(2,179)	-	-	-	(98,539)	108,688
BEACH DEVELOPMENTS	2,676,711	-	-	-	-	2,676,711	5,353,423	-	-	-	-	-	(1,127,915)	(89,222)	-	-	-	(1,217,137)	4,136,285
BOWLING GREENS	106,488	-	-	-	-	106,488	212,976	-	-	-	-	-	(73,569)	(2,535)	-	-	-	(76,104)	136,872
BUS TERMINALS	3,122,906	-	-	-	-	3,122,906	6,245,811	2,358,299	435,473	-	-	2,793,772	(1,516,517)	(155,789)	-	-	-	(1,672,306)	7,367,277
CARAVAN PARKS	893,940	-	-	-	-	893,940	1,787,879	-	-	-	-	-	(297,310)	(29,797)	-	-	-	(327,107)	1,460,772
CARE CENTRES	9,226,803	148,305	693,025	-	-	10,068,133	20,136,266	693,025	-	(693,025)	-	-	(2,657,876)	(309,484)	-	-	-	(2,967,360)	17,168,906
CEMETERIES	67,861	-	-	-	1,360,072	1,427,933	2,855,865	259,955	-	-	-	259,955	(38,422)	(2,262)	-	-	-	(40,684)	3,075,136
COMMUNITY CENTRES	22,784,916	357,803	207,693	-	-	23,350,412	46,700,824	217,487	64,594	(207,693)	-	74,388	(7,052,072)	(759,944)	-	-	-	(7,812,016)	38,963,195
FENCING COMMUNITY	-	185,430	-	-	-	185,430	370,860	-	-	-	-	-	-	(481,620)	-	-	(5,906,754)	(6,388,374)	(6,017,514)
FIRE STATIONS	1,762,589	-	-	-	-	1,762,589	3,525,178	-	-	-	-	-	(628,877)	(52,861)	-	-	-	(681,738)	2,843,440
FLOODLIGHTING	6,925,268	383,390	-	-	-	7,308,658	14,617,316	-	1,538,954	-	-	1,538,954	(3,737,842)	(362,047)	-	-	-	(4,099,889)	12,056,381
CLINICS/HOSPITALS	3,023,763	-	-	-	-	3,023,763	6,047,526	-	-	-	-	-	(1,703,066)	(90,324)	-	-	-	(1,793,390)	4,254,136
HOSTELS	170,349	-	-	-	-	170,349	340,697	-	-	-	-	-	(131,613)	(4,876)	-	-	-	(136,489)	204,208
HOUSING SCHEMES	37,696,235	-	-	-	-	37,696,235	75,392,470	-	-	-	-	-	(13,489,980)	(1,221,711)	-	-	-	(14,711,691)	60,680,779
INFORMAL HOUSING	621,383	-	-	-	-	621,383	1,242,766	-	-										

GEORGE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
Appendix to the Financial Statements

Property, plant and equipment - detailed analysis

2018	Cost										Work In progress										Accumulated depreciation										Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	Tronster	Transfers	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	Tronster	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Impoiments / Impoiment reversal	Disposals	Transfers	C/Fwd.Deprec.													
DRILL - CONCRETE	20,528	-	-	-	-	20,528	41,057	-	-	-	-	-	(16,468)	(1,359)	-	-	-	(17,826)	23,230												
EQUIPMENT/APPARATUS - CLINIC/H	3,340	-	-	-	-	3,340	6,680	-	-	-	-	-	(3,186)	(113)	-	1,732	-	(1,567)	5,113												
EQUIPMENT/APPARATUS - TRAFFIC	1,126,998	80,612	-	(4,485)	-	1,203,125	2,406,250	-	-	-	-	-	(986,795)	(55,278)	-	-	-	(1,042,073)	1,364,177												
ELECTRICAL EQUIPMENT	9,815,351	270,749	-	-	-	10,086,101	20,172,201	560,795	9,524,998	-	-	10,085,793	(6,718,886)	(1,015,153)	-	-	3,279	(7,730,760)	22,527,234												
LABORATORY EQUIPMENT	1,946,398	253,037	-	-	-	2,199,435	4,398,870	-	-	-	-	-	(915,957)	(292,420)	-	7,390	-	(1,200,988)	3,197,882												
RADIO EQUIPMENT	5,242,678	349,982	-	(24,940)	-	5,567,720	11,135,440	-	-	-	-	-	(2,641,917)	(457,029)	-	-	-	(3,098,946)	8,036,494												
TELECOMMUNICATION EQUIPMENT	1,858,861	1,255,122	-	-	-	3,113,983	6,227,966	-	-	-	-	-	(1,128,646)	(122,961)	-	-	-	(1,251,607)	4,976,359												
FIRE EQUIPMENT	1,553,815	-	-	-	-	1,553,815	3,107,629	-	-	-	-	-	(612,107)	(102,095)	-	-	-	(714,201)	2,393,428												
FIREARMS	309,850	-	-	-	-	309,850	619,699	-	-	-	-	-	(220,175)	(38,536)	-	-	-	(258,711)	360,989												
GENERATOR	4,208,395	842,883	-	-	-	5,051,279	10,102,557	978,129	-	-	-	978,129	(2,381,694)	(436,419)	-	-	-	(2,818,113)	8,262,573												
GENERAL PLANT	17,625,876	587,373	-	-	518,429	18,731,679	37,463,357	-	-	-	-	-	(10,602,541)	(1,131,550)	-	-	(3,279)	(11,737,371)	25,725,986												
HOUSEHOLD REFUSE BINS	1,096	1,176	-	-	-	2,272	4,544	-	-	-	-	-	(881)	(73)	-	-	-	(954)	3,591												
FIRE HOSES	233,192	-	-	-	-	233,192	466,384	-	-	-	-	-	(212,825)	(7,994)	-	-	-	(220,820)	245,564												
HOIST - REFUSE BINS	704,293	-	-	-	-	704,293	1,408,586	-	-	-	-	-	(496,280)	(54,812)	-	-	-	(551,092)	857,493												
IRRIGATION SYSTEMS	1,057,117	-	-	-	-	1,057,117	2,114,233	-	-	-	-	-	(128,892)	(70,473)	-	-	-	(199,365)	1,914,868												
LATHES	55,042	-	-	-	-	55,042	110,084	-	-	-	-	-	(43,501)	(1,446)	-	-	-	(44,947)	65,137												
EMERGENCY LIGHT	9,646	42,748	-	-	-	52,394	104,787	-	-	-	-	-	(6,547)	(1,579)	-	-	-	(8,126)	96,661												
LOADER - DRILL	771,676	-	-	-	-	771,676	1,543,352	-	-	-	-	-	(586,735)	(6,125)	-	-	-	(592,859)	950,493												
LOADER - FRONT-END	6,314,101	2,572,508	-	-	-	8,886,609	17,773,218	-	-	-	-	-	(3,335,049)	(350,176)	-	-	-	(3,685,225)	14,087,993												
MISCELLANEOUS FURNITURE	3,193,002	410,414	-	-	-	3,603,415	7,206,831	-	-	-	-	-	(2,259,450)	(228,930)	-	-	-	(2,488,380)	4,718,451												
MIXER - CONCRETE	7,318	53,800	-	-	-	61,118	122,236	-	-	-	-	-	(7,028)	(88)	-	1,001	-	(6,114)	116,122												
OFFICE MACHINES	2,194,958	442,052	-	(1,577)	-	2,635,432	5,270,865	-	-	-	-	-	(1,561,467)	(178,044)	-	-	-	(1,739,511)	3,531,354												
EQUIPMENT	663,422	1,362,806	715,275	-	-	2,741,504	5,483,007	727,533	-	(715,275)	-	12,258	(128,388)	(68,620)	-	-	-	(197,009)	5,298,257												
PUMPS	3,518,498	27,774	-	-	-	3,546,273	7,092,546	-	-	-	-	-	(682,012)	(349,556)	-	-	-	(1,031,568)	6,060,977												
ROLLER - PAVEMENT	199,600	289,592	-	-	-	489,192	978,383	-	-	-	-	-	(186,450)	(2,714)	-	-	-	(189,163)	789,220												
ROLLER - WATER/BALLAST	78,320	-	-	-	-	78,320	156,640	-	-	-	-	-	(77,284)	(207)	-	-	-	(77,492)	79,149												
TABLES/DESKS	2,003,504	655,739	-	-	-	2,659,243	5,318,486	-	-	-	-	-	(1,163,262)	(131,101)	-	-	-	(1,294,363)	4,024,123												
TIPPERS	2,414,204	-	-	-	-	2,414,204	4,828,407	-	-	-	-	-	(1,257,228)	(112,919)	-	-	-	(1,370,147)	3,458,261												
TOOLS	67,047	-	-	-	-	67,047	134,093	-	-	-	-	-	(60,011)	(3,713)	-	-	-	(63,724)	70,369												
TRAILERS	2,531,903	1,157,746	-	-	-	3,689,649	7,379,299	-	-	-	-	-	(1,117,135)	(404,166)	-	-	-	(1,521,301)	5,857,998												
VEHICLES	14,359,371	-	-	-	-	14,359,371	28,718,742	-	-	-	-	-	(6,954,484)	(585,565)	-	-	-	(7,540,049)	21,178,693												
AIRCRAFT/BALLOONS	-	25,439	-	-	-	25,439	50,877	-	-	-	-	-	-	(5)	-	-	-	(5)	50,873												
BUSES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-												
WATERCRAFT/BOATS	201,160	-	-	-	-	201,160	402,319	-	-	-	-	-	(101,591)	(11,126)	-	-	-	(112,717)	289,603												
COMPRESSORS	185,551	-	-	-	-	185,551	371,101	-	-	-	-	-	(176,027)	(2,695)	-	-	-	(178,722)	192,380												
COMPACTOR TRUCK - REFUSE	9,926,227	3,398,201	-	-	-	13,324,427	26,648,854	-	-	-	-	-	(3,131,278)	(1,090,182)	-	-	-	(4,221,460)	22,427,394												
MOTOR CYCLES	558,215	-	-	-	-	558,215	1,116,429	-	-	-	-	-	(384,237)	(34,425)	-	-	-	(418,662)	697,768												
FIRE ENGINES	6,840,306	-	-	-	-	6,840,306	13,680,613	-	-	-	-	-	(1,379,302)	(289,581)	-	-	-	(1,668,883)	12,011,730												
FARM EQUIPMENT	6,187	-	-	-	-	6,187	12,374	-	-	-	-	-	(6,105)	(16)	-	-	-	(6,122)	6,253												
GRADERS	2,067,294	2,682,210	-	-	-	4,749,504	9,499,008	-	-	-	-	-	(1,368,137)	(215,253)	-	-	-	(1,583,390)	7,915,618												
LAWN MOWERS	96,096	51,000	-	-	-	147,096	294,192	-	-	-	-	-	(63,716)	(14,565)	-	-	-	(78,280)	215,912												
ROLLER - MECHANICALLY DRIVEN	1,155,779	-	-	-	-	1,155,779	2,311,558	-	-	-	-	-	(956,351)	(26,061)	-	-	-	(982,412)	1,329,146												
ROAD MAINTENANCE EQUIPMENT	264,534	-	-	-	-	264,534	529,068	-	-	-	-	-	(263,286)	(159)	-	60,461	-	(202,984)	326,084												
TRUCKS/BARKIES	38,995,492	7,590,748	-	(89,523)	-	46,496,717	92,993,435	-	-	-	-	-	(18,663,676)	(1,822,200)	-	-	-	(20,485,876)	72,507,559												
TRACTORS	441,350	1,131,000	-	-	-	1,572,350	3,144,700	-	-	-	-	-	(235,626)	(60,806)	-	-	-	(296,432)	2,848,268												
WELDER	8,895	-	-	-	-	8,895	17,789	-	-	-	-	-	(5,346)	(1,779)	-	-	-	(7,125)	10,664												
	172,449,502	31,223,202	717,125	(160,072)	518,429	204,748,186	409,496,373	2,268,307	9,524,998	(717,125)	-	11,076,180	(87,147,916)	(13,153,322)	-	92,643	-	(100,208,594)	320,363,958												
ACCESS CONTROL BUILDINGS	1,535,209	497,620	44,360	-	-	2,077,190	4,154,379	-	-	(44,360)	44,360	-	(775,576)	(29,937)	-	-	775,576	(29,937)	4,124,442												
BUILDINGS	1,528,989	-	-	-	-	1,528,989	3,057,979	44,360	-	-	(44,360)	-	(539,145)	(71,955)	-	-	-	(611,100)	2,446,879												
FENCING BUILDINGS	7,490,424	359,610	-	-	-	7,850,034	15,700,068	-	-	-	-	-	(5,906,754)	(5,833)	-	5,906,754	-	(5,833)	15,694,235												
MUNICIPAL BUILDINGS	67,719,192	1,494,562	4,241,572	-	-	73,455,325	146,910,651	11,403,690	2																						

GEORGE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017  
Appendix to the Financial Statements

Property, plant and equipment - detailed analysis

2017	Cost						Work in progress				Accumulated depreciation					Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	Transfer	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Impairments	Disposals	C/Fwd.Deprec.	
<b>INFRASTRUCTURE</b>																
Access control	23,152	-	121,128	-	-121,128	23,152	121,128	-	-121,128	-	-4,656	-4,630	-	-	-9,286	13,866
Access control water	-	28,000	-	-	-	28,000	-	-	-	-	-	-15	-	-	-15	27,985
Bridges, subways & culverts	22,775,387	-	-	-	-	22,775,387	-	-	-	-	-5,543,845	-1,011,773	-	-	-6,555,618	16,219,769
Bus terminals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus stop	19,799,549	6,810,226	-	-	-	26,609,775	-	3,299,323	-	3,299,323	-975,974	-990,919	-	-	-1,966,893	27,942,205
Car parks	3,502,961	433,323	-	-	-	3,936,284	-	-	-	-	-1,595,341	-161,963	-	-	-1,757,304	2,178,980
Fencing	1,885,737	12,122,049	186,940	-21,985	481,692	14,654,432	186,940	-	-186,940	-	-379,125	-1,828,747	-	21,848	-2,186,024	12,468,408
Fencing waste water	4,422,426	-	-	-	-	4,422,426	-	-	-	-	-2,896,990	-386,890	-	-	-3,283,880	1,138,546
Fencing water	3,197,666	-	-	-	-	3,197,666	-	-	-	-	-2,088,432	-112,661	-	-	-2,201,093	996,573
Footways	13,473,877	12,989,788	-	-	-	26,463,664	-	-	-	-	-3,288,332	-720,864	-	-	-4,009,196	22,454,468
Kerbing	893,326	-	-	-	-	893,326	-	-	-	-	-188,834	-44,664	-	-	-233,498	659,829
Landfill site	10,327,047	-	-	-	-	10,327,047	-	-	-	-	-3,276,338	-2,065,389	-2,151,528	-	-7,493,255	2,833,792
Load control equipment	13,230,026	1,363,954	-	-	-	14,593,980	-	-	-	-	-3,658,962	-543,844	-	-	-4,202,805	10,391,174
Mains electricity	6,605,422	-	-	-	-	6,605,422	-	-	-	-	-3,138,448	-345,196	-	-	-3,483,644	3,121,779
Mains water	12,577,517	-	-	-	-	12,577,517	-	-	-	-	-4,392,474	-538,354	-	-	-4,930,827	7,646,690
Meters electricity	460,793	-	-	-	-	460,793	-	-	-	-	-137,747	-22,989	-	-	-160,737	300,056
Meters water	7,788,938	99,356	-	-86,445	-	7,801,848	-	-	-	-	-3,930,069	-463,663	-	78,078	-4,315,654	3,486,194
Motorways	308,314	-	-	-	-	308,314	-	-	-	-	-185,663	-20,554	-	-	-206,217	102,097
Outfall sewers	727,862	-	-	-	-	727,862	-	3,000,000	-	3,000,000	-234,012	-36,393	-	-	-270,405	3,457,457
Paving	23,918,518	2,782,700	92,946	-	2,365,143	29,159,308	92,946	-	-92,946	-	-8,416,890	-1,313,745	-	-	-9,730,635	19,428,672
Pipelines	73,141,367	-	-	-	-	73,141,367	-	-	-	-	-19,106,108	-3,656,278	-	-	-22,762,385	50,378,981
Power stations	527,809	-	-	-	-	527,809	-	-	-	-	-510,513	-3,868	-	-	-514,380	13,428
Pump stations	93,644,977	5,312,054	-	-	956,470	99,913,501	4,317,990	1,534,032	-	5,852,022	-32,175,917	-4,719,211	-	-	-36,895,128	68,870,395
Purification works	40,158,112	11,730,220	8,795,845	-	-1,654,720	59,029,457	26,001,771	16,826,928	-8,795,845	34,032,854	-11,208,684	-3,214,036	-	-	-14,422,720	78,639,590
Other roads	520,704,345	21,351,237	-4,580,924	-	27,727,852	565,202,510	27,583,534	7,137,314	4,580,924	39,301,771	-281,455,109	-42,820,819	-	-	-324,275,928	280,228,353
Security systems roads	-	5,054,592	-	-	-	5,054,592	-	-	-	-	-	-2,770	-	-	-2,770	5,051,822
Security systems waste water	211,041	-	-	-	-	211,041	-	-	-	-	-108,935	-23,168	-	-	-132,102	78,938
Security systems water	33,051	-	-	-	-	33,051	-	-	-	-	-29,805	-1,630	-	-	-31,435	1,616
Security lighting electricity	929,687	-	-	-	-	929,687	-	-	-	-	-340	-61,978	-	-	-62,318	867,368
Security systems electricity	1,457,935	-	-	-	-	1,457,935	-	-	-	-	-852,938	-67,322	-	-	-920,260	537,675
Sewers	247,054,070	2,898,566	15,668,808	-	-15,668,808	249,952,636	68,367,596	1,437,899	-15,668,808	54,136,688	-90,028,012	-11,054,320	-	-	-101,082,332	203,006,992
Sludge machines	4,791,182	-	-	-	-	4,791,182	-	-	-	-	-2,457,816	-208,932	-	-	-2,666,747	2,124,435
Sewerage pumps	19,373,501	-	-	-	-	19,373,501	-	-	-	-	-7,631,791	-1,139,473	-	-	-8,771,264	10,602,238
Street lighting	28,480,687	633,474	333,410	-1,862	341,876	29,787,586	333,410	357,103	-333,410	357,103	-10,666,198	-1,149,407	-	1,839	-11,813,766	18,330,924
Supply/reticulation Bec	249,568,285	944,588	1,460,060	-	-1,162,401	250,810,532	2,822,234	2,749,942	-1,460,060	4,112,116	-90,838,438	-11,221,937	-	-	-102,060,374	152,862,274
Supply/reticulation Gas	2,439,947	-	-	-	-	2,439,947	-	-	-	-	-987,670	-121,996	-	-	-1,109,666	1,330,281
Supply/reticulation Water	275,430,899	2,909,236	-	-	55,504	278,395,638	2,467,970	1,230,321	-	3,698,291	-111,520,320	-12,977,468	-	-	-124,497,788	157,596,142
Stormwater drains	110,620,916	5,321,491	-	-	-	115,942,407	-	39,434	-	39,434	-40,329,359	-6,648,041	-	-	-46,977,400	69,004,441
Switchgear equipment	26,939,025	994,510	-	-	820,525	28,754,060	-	3,003,833	-	3,003,833	-9,537,566	-1,287,032	-	-	-10,824,598	20,933,295
Reservoirs & tanks	25,307,077	242,805	956,470	-	-956,470	25,549,881	3,812,282	20,002,467	-956,470	22,858,279	-11,729,314	-1,055,394	-	-	-12,784,708	35,623,453
Taxiways	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tip Site George	3,945,374	-	-	-	-	3,945,374	-	-	-	-	-3,603	-1,315,111	-	-	-1,318,715	2,626,659
Tip Sites	9,887,592	-	-	-	-	9,887,592	-	522,467	-	522,467	-3,344,440	-333,026	-	-	-3,677,466	6,732,593
Transformer kiosks	101,252,903	1,740,337	7,411,402	-20,849	-	110,383,793	7,411,402	812,564	-7,411,402	812,564	-26,733,083	-3,390,360	-	17,234	-30,106,210	81,090,147
Traffic islands	357,019	-	-	-	-	357,019	-	-	-	-	-70,995	-35,035	-	-	-106,029	250,990
Traffic lights	15,082,960	5,500,643	-	-	-	20,583,602	-	1,687,119	-	1,687,119	-6,052,244	-784,280	-	-	-6,836,524	15,434,197
Street names & traffic signs	860,794	-	-	-	-	860,794	-	-	-	-	-500,633	-50,279	-	-	-550,912	309,883
	1,998,119,071	101,263,148	30,446,084	-131,141	13,185,535	2,142,882,697	143,519,202	63,640,746	-30,446,084	176,713,864	-802,211,960	-117,956,422	-2,151,528	118,998	-922,200,911	1,397,395,650
<b>COMMUNITY</b>																
Animal pound	103,613	-	-	-	-	103,613	-	-	-	-	-94,181	-2,179	-	-	-96,360	7,254
Beach developments	2,676,711	-	-	-	-	2,676,711	-	-	-	-	-1,038,692	-89,223	-	-	-1,127,915	1,548,796
Bowling greens	106,488	-	-	-	-	106,488	-	-	-	-	-71,033	-2,535	-	-	-73,569	32,919
Bus terminals	2,682,871	440,035	-	-	-	3,122,906	-	2,358,299	-	2,358,299	-1,375,314	-141,203	-	-	-1,516,517	3,964,687
CARAVANS PARKS	893,940	-	-	-	-	893,940	-	-	-	-	-267,512	-29,798	-	-	-297,310	596,630
Care centres	9,222,269	4,534	-	-	-	9,226,803	693,025	-	-	693,025	-2,350,894	-306,982	-	-	-2,657,876	7,261,952
Cemeteries	67,861	-	-	-	-	67,861	259,955	-	-	259,955	-36,160	-2,262	-	-	-38,422	289,394
Community centres	21,256,622	168,222	881,256	-	478,816	22,784,916	1,093,446	5,297	-881,256	217,487	-6,307,505	-744,568	-	-	-7,052,072	15,950,330
Fire stations	1,762,589	-	-	-	-	1,762,589	-	-	-	-	-52,861	-52,861	-	-	-628,877	1,133,712
Floodlighting	6,869,584	55,684	-	-	-	6,925,268	-	-	-	-	-3,374,977	-362,865	-	-	-3,737,842	3,187,426
Clinics/hospitals	3,023,763	-	-	-	-	3,023,763	-	-	-	-	-1,612,740	-90,325	-	-	-1,703,066	1,320,697
Hostels	170,349	-	-	-	-	170,349	-	-	-	-	-126,737	-4,876	-	-	-131,613	38,735
Housing Schemes	37,696,235	-	-	-	-	37,696,235	-	-	-	-	-12,268,256	-1,221,723	-	-	-13,489,980	24,206,255
Informal housing	621,383	-	-	-	-	621,383	-	-	-	-	-120,660	-31,069	-	-	-151,729	469,654
Indoor sports	127,552	-	-	-	-	127,552	-	-	-	-	-124,621	-874	-	-	-125,495	2,057
Lakes and dams	119,843	-	-	-	-	119,843	766,135	-	-	766,135	-49,891	-5,992	-	-	-55,883	830,096
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	1,864,786	-	-	-	-	1,864,786	28,000	-	-	28,000	-1,117,710	-56,687	-	-	-1,174,396	718,390
MARKETS	51,965	-	-	-	-	51,965	-	-	-	-	-12,277	-1,732	-	-	-14,009	37,956
Monuments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal houses	459,390	-	-	-	-	459,390	-	-	-	-	-244,482	-18,124	-	-	-262,606	196,784
Netball courts	235,304	-	-	-	-	235,304	-	-	-	-	-27,046	-11,600	-	-	-38,646	196,658
Organ and case	1,792	-	-	-	-	1,792	-	-	-	-	-1,568	209	-	-	-1,583	209
Outdoor sports facilities	52,689,953	696,350	5,233,915	-	-2,626,338	55,993,880	5,233,915	2,689,173	-5,233,915	2,689,173	-13,236,493	-2,604,549	-	-	-15,841,042	42,842,012
Parks	1,635,563	-	-	-	-	1,635,563	105,230	-	-	105,230	-771,609	-54,520	-	-	-826,129	914,664
Public conveniences/bathhouses	3,386,881	131,337	211,784	-	-	3,730,001	211,784	95,424	-211,784	95,424	-1,331,897	-112,994	-	-	-1,444,891	2,380,535
Recreation centres	3,803,557	-	1,222,185	-	-1,222,185	3,803,557	1,271,024	-	-1,222,185	48,839	-1,243,713	-126,429	-	-	-1,370,142	2,482,254
Security lighting buildings	11,320	63,940	-	-	-	75,260	-	-	-	-	-759	-882	-	-	-1,640	73,620
Stadiums	3,598,841	-	-	-	-	3,598,841	-	-								

GEORGE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017  
Appendix to the Financial Statements

Property, plant and equipment - detailed onalys

2017	Cost						Work in progress				Accumulated depreciation					Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	Transfer	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Impoiments	Disposals	C/Fwd.Deprec.	
Drill - concrete	20,528	-	-	-	-	20,528	-	-	-	-	-12,362	-4,106	-	-	-16,468	4,061
Equipment/apparatus - Clinic/H	3,340	-	-	-	-	3,340	-	-	-	-	-3,073	-113	-	-	-3,186	154
Equipment/apparatus - Traffic	1,109,332	17,666	-	-	-	1,126,998	-	-	-	-	-922,352	-64,443	-	-	-986,795	140,203
Electrical equipment	9,009,870	810,331	-	-4,850	-	9,815,351	-	560,795	-	560,795	-5,721,960	-1,001,534	-	4,608	-6,718,886	3,657,260
Laboratory equipment	1,458,693	487,705	-	-	-	1,946,398	-	-	-	-	-253,865	-253,865	-	-	-915,957	1,030,441
Radio equipment	4,844,880	397,798	-	-	-	5,242,678	-	-	-	-	-2,233,829	-408,088	-	-	-2,641,917	2,600,761
Telecommunication equipment	2,119,733	502,758	-	-763,630	-	1,858,861	-	-	-	-	-1,803,061	-89,067	-	763,482	-1,128,646	730,215
Fire equipment	1,797,405	-	-	-243,590	-	1,553,815	-	-	-	-	-676,020	-108,243	-	172,156	-612,107	941,708
Firearms	309,850	-	-	-	-	309,850	-	-	-	-	-158,205	-61,969	-	-	-220,175	89,675
Generator	2,928,898	1,279,497	-	-	-	4,208,395	-	978,129	-	978,129	-2,075,789	-305,905	-	-	-2,381,694	2,804,830
General plant	16,531,964	622,404	21,830	-46,921	496,599	17,625,876	21,830	-	-21,830	-	-9,623,776	-1,018,200	-	39,435	-10,602,541	7,023,335
Household refuse bins	1,096	-	-	-	-	1,096	-	-	-	-	-662	-219	-	-	-881	216
Fire hoses	233,192	-	-	-	-	233,192	-	-	-	-	-194,461	-18,364	-	-	-212,825	20,367
Hoist - refuse bins	704,293	-	-	-	-	704,293	-	-	-	-	-441,467	-54,813	-	-	-496,280	208,013
Irrigation systems	413,117	-	-	-	644,000	1,057,117	-	-	-	-	-58,418	-70,474	-	-	-128,892	928,225
Lathes	55,042	-	-	-	-	55,042	-	-	-	-	-42,055	-1,446	-	-	-43,501	11,541
Emergency light	9,646	-	-	-	-	9,646	-	-	-	-	-4,991	-1,556	-	-	-6,547	3,099
Loader - drill	771,676	-	-	-	-	771,676	-	-	-	-	-580,610	-6,125	-	-	-586,735	184,942
Loader - front-end	5,444,756	869,345	-	-	-	6,314,101	-	-	-	-	-3,089,166	-245,882	-	-	-3,335,049	2,979,052
Miscellaneous furniture	3,116,143	107,279	-	-30,420	-	3,193,002	-	-	-	-	-2,030,234	-257,617	-	28,401	-2,259,450	933,551
Mixer - concrete	7,318	-	-	-	-	7,318	-	-	-	-	-6,735	-292	-	-	-7,028	291
Office machines	2,071,836	216,693	-	-93,571	-	2,194,958	-	-	-	-	-1,464,035	-188,686	-	91,254	-1,561,467	633,491
EQUIPMENT	663,422	-	-	-	-	663,422	-	727,533	-	727,533	-60,964	-67,425	-	-	-128,388	1,262,567
Pumps	945,448	2,573,050	-	-	-	3,518,498	-	-	-	-	-351,497	-330,515	-	-	-682,012	2,836,487
roller - pavement	199,600	-	-	-	-	199,600	-	-	-	-	-173,191	-13,258	-	-	-186,450	13,150
Roller - water/ballast	78,320	-	-	-	-	78,320	-	-	-	-	-76,243	-1,042	-	-	-77,284	1,036
Tables/desks	1,877,963	152,912	-	-27,371	-	2,003,504	-	-	-	-	-1,075,917	-114,565	-	27,220	-1,163,262	840,242
Tipppers	2,414,204	-	-	-	-	2,414,204	-	-	-	-	-1,144,307	-112,920	-	-	-1,257,228	1,156,976
Tools	67,047	-	-	-	-	67,047	-	-	-	-	-56,299	-3,713	-	-	-60,011	7,035
Trailers	1,626,362	905,541	-	-	-	2,531,903	-	-	-	-	-907,999	-209,136	-	-	-1,117,135	1,414,768
Vehicles	11,467,818	3,599,554	-	-708,001	-	14,359,371	-	-	-	-	-6,988,790	-446,145	-	480,451	-6,954,484	7,404,887
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watercraft/boats	201,160	-	-	-	-	201,160	-	-	-	-	-90,243	-11,349	-	-	-101,591	99,569
Compressors	185,551	-	-	-	-	185,551	-	-	-	-	-171,561	-4,466	-	-	-176,027	9,524
Compactor truck - refuse	6,444,141	3,482,086	-	-	-	9,926,227	-	-	-	-	-2,541,264	-590,014	-	-	-3,131,278	6,794,948
Motor cycles	558,215	-	-	-	-	558,215	-	-	-	-	-345,375	-38,862	-	-	-384,237	173,978
Fire engines	3,829,023	1,011,283	2,000,000	-	-	6,840,306	2,000,000	-	-2,000,000	-	-1,179,487	-199,814	-	-	-1,379,302	5,461,005
Form equipment	6,187	-	-	-	-	6,187	-	-	-	-	-6,023	-82	-	-	-6,105	82
Graders	2,067,294	-	-	-	-	2,067,294	-	-	-	-	-1,228,330	-139,807	-	-	-1,368,137	699,157
Lawnmowers	101,512	-	-	-5,416	-	96,096	-	-	-	-	-57,261	-11,865	-	5,410	-63,716	32,380
Roller - mechanically driven	1,155,779	-	-	-	-	1,155,779	-	-	-	-	-903,424	-52,927	-	-	-956,351	199,428
Pound vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road maintenance equipment	264,534	-	-	-	-	264,534	-	-	-	-	-260,473	-2,813	-	-	-263,286	1,248
Trucks/bakkies	34,616,045	4,379,448	-	-	-	38,995,492	-	-	-	-	-17,107,653	-1,556,024	-	-	-18,663,676	20,331,816
Tractors	456,350	-	-	-15,000	-	441,350	-	-	-	-	-214,252	-32,773	-	11,399	-235,626	205,724
Welder	8,895	-	-	-	-	8,895	-	-	-	-	-3,568	-1,779	-	-	-5,346	3,548
	147,273,175	25,004,300	2,153,304	-3,122,075	1,140,599	172,449,302	2,153,304	2,268,307	-2,153,304	2,268,307	-78,864,982	-11,025,739	-	2,742,804	-87,147,916	87,569,893
Access control buildings	1,058,922	476,287	-	-	-	1,535,209	-	-	-	-	-634,608	-140,968	-	-	-775,576	759,633
Buildings	1,528,989	1,528,989	-	-	-	1,528,989	-	44,360	-	44,360	-467,190	-71,955	-	-	-539,145	1,034,204
Fencing buildings	6,861,608	628,816	-	-	-	7,490,424	-	-	-	-	-5,575,594	-331,160	-	-	-5,906,754	1,583,671
Municipal buildings	66,425,601	635,714	657,877	-	-	67,719,192	657,877	11,403,690	-657,877	11,403,690	-25,164,020	-2,020,116	-	-	-27,184,135	51,938,747
Office Buildings	4,927,405	-	-	-	-	4,927,405	-	-	-	-	-1,893,118	-163,578	-	-	-2,056,696	2,870,709
Security systems buildings	9,483,207	45,702	-	-	-	9,528,909	-	-	-	-	-3,779,252	-1,706,753	-	-	-5,486,004	4,042,904
Town planning	7,445,752	-	-	-	-	7,445,752	-	-	-	-	-7,070,470	-94,035	-	-	-7,164,505	281,247
Other structures	23,420	42,800	-	-	-	66,220	-	-	-	-	-601	-2,354	-	-	-2,954	63,266
Workshop	985,492	-	-	-	-	985,492	-	-	-	-	-635,080	-28,089	-	-	-663,169	322,323
	98,740,397	1,829,320	657,877	-	-	101,227,594	657,877	11,448,050	-657,877	11,448,050	-45,219,932	-4,559,008	-	-	-49,778,939	62,896,704
Bus Go George Minibus	26,823,258	-	-	-	-	26,823,258	-	-	-	-	-3,090,646	-3,357,242	-	-	-6,447,888	20,375,371
Bus Go George	179,437,265	-	10,956,427	-	-10,956,427	179,437,265	10,956,427	-	-10,956,427	-	-13,845,827	-11,216,493	-	-	-25,062,320	154,374,945
	206,260,523	-	10,956,427	-	-10,956,427	206,260,523	10,956,427	-	-10,956,427	-	-16,936,472	-14,573,736	-	-	-31,510,208	174,750,315
	452,274,095	26,833,820	13,767,607	-3,122,075	-9,815,828	479,937,619	13,767,607	13,716,356	-13,767,607	13,716,356	-141,021,386	-30,158,482	-	2,742,804	-168,437,063	325,216,912
LAND																
BUSINESS	9,697,000	-	-	-	-	9,697,000	-	-	-	-	-	-	-	-	-	9,697,000
BUSINESS INDUSTRIAL	65,550	-	-	-	-	65,550	-	-	-	-	-	-	-	-	-	65,550
CEMETERIES	5,678,500	-	-	-	-	5,678,500	-	-	-	-	-	-	-	-	-	5,678,500
CHURCHES	85,000	-	-	-	-	85,000	-	-	-	-	-	-	-	-	-	85,000
COMMAGE	9,950,000	-	-	-	-	9,950,000	-	-	-	-	-	-	-	-	-	9,950,000
CRECHE	479,750	-	-	-	-	479,750	-	-	-	-	-	-	-	-	-	479,750
GENERAL RESIDENTIAL	3,785,000	-	-	-	-	3,785,000	-	-	-	-	-	-	-	-	-	3,785,000
GOVERNMENT	50,000	-	-	-	-	50,000	-	-	-	-	-	-	-	-	-	50,000
INDUSTRIAL	14,798,800	-	-	-	-	14,798,800	-	-	-	-	-	-	-	-	-	14,798,800
INSTATUTIONS	1,953,850	-	-	-	-	1,953,850	-	-	-	-	-	-	-	-	-	1,953,850
OPEN PLACE	8,000	-	-	-	-	8,000	-	-	-	-	-	-	-	-	-	8,000
Other land	610,405,950	-	-	-98,100	-	610,307,850	-	-	-	-	-	-	-	-	-	610,307,850
PARKING	30,785,000	-	-	-	-	30,785,000	-	-	-	-	-	-	-	-	-	30,785,000
PUBLIC OPEN SPACE	161,461,150	-	-	-125,000	-	161,461,150	-	-	-	-	-	-	-	-	-	161,461,150
PRIVATE OPEN SPACE	7,880,000	-	-	-	-	7,880,000	-	-	-	-	-	-	-	-	-	7,880,000
ROADS	1,250,000	-	-	-	-	1,250,000	-	-	-	-	-	-	-	-	-	1,250,000
SPECIAL HOUSING	26,670,000	-	-	-	-	26,670,000	-	-	-	-	-	-	-	-	-	26,670,000
SINGLE RESIDENTIAL	18,099,900	-	-	-	-	18,099,900	-	-	-	-	-	-	-	-	-	18,099,900
Vacantland	20,500,233	-	-	-	-	20,500,233	-	-	-	-	-	-	-	-	-	20,500,233
	923,728,683	-	-	-223,100	-	923,505,583	-	-	-	-	-	-	-	-	-	923,505,583
TOTAL OF PROPERTY, PLANT AND EQUIPMENT	3,538,436,252	129,829,070	51,762,831	-3,476,316	-0	3,716,551,837	166,689,368	82,765,251	-51,762,831	197,691,788	-996,259,731	-154,825,371	-2,151,528	2,861,803	-1,150,374,828	2,763,868,797

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

A bus service was introduced to provide a quality public transport service that is reliable, affordable, safe, convenient, and accessible, and contributes to a better quality of life for all.

The George Integrated Public Transport Network (GIPTN) has been developed by the municipality and the Provincial Government of the Western Cape to transform the road-based public transport sector through the establishment of a high quality, flexible and integrated public transport network.

The GO GEORGE bus service will be operated by the public transport operator "George Link" within the entire George area. The first phase was launched on 8 December 2014; a phased approach is used for service route roll out.

At the heart of the project is an empowerment model where public transport operators were operating minibus taxi or bus services in George forming a company to deliver the new scheduled bus service in terms of an operating contract. The municipality is responsible for the service, ensuring that safety, quality and customer service standards are maintained.

The George Municipality, with the support of the Western Cape Government, has negotiated a 12-year contract with this new company, in line with national policy. Part of the agreement is that other public transport services cease to operate on the GO GEORGE routes.

### Establishment of a Municipal Land Transport Fund (MLTF)

The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

The National Land Transport Act, (Act No. 5 of 2009) requires that a municipality establishing an integrated public transport network must establish a Municipal Land Transport Fund (MLTF) in terms of Section 27 of the Act. Money appropriated by the Minister and / or MEC for the Fund, user charges collected and interest on invested cash balances belonging to the Fund, should be paid into the fund. The funds are utilised to defray the costs of the functions in terms of its integrated transport plan.

The transactions for the transport department during the year consist of the following:

### STATEMENT OF FINANCIAL PERFORMANCE

	MLTF	NON-MLTF	Total
<b>Revenue</b>			
Fare revenue	39,419,283	-	39,419,283
Government Grants and subsidies	220,309,847	102,140,405	322,450,252
Other income	1,883,825	-	1,883,825
Interest received	348,600	-	348,600
Total revenue	261,961,555	102,140,405	364,101,960
<b>Expenditure</b>			
Employee related cost	1,621,207	1,142,702	2,763,909
Depreciation	-	33,144,759	33,144,759
Finance cost	893,895	5,420,977	6,314,872
Contracted services	229,314,611	1,839,333	231,153,944
Inventory / Other materials	157,956	-	157,956
General expenses	20,394,079	-	20,394,079
Total expenditure	252,381,748	41,547,771	293,929,519
<b>Surplus for the year</b>	<b>9,579,807</b>	<b>60,592,634</b>	<b>70,172,441</b>



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

Items in the Statement of Financial Position consisted of the following on year end:

### Custom Schedule

#### Assets

Property, plant and equipment	Cost price	Accumulated depreciation	Book value
Standard 12m & Midi 10.5m bus (69 buses)	179,437,265	(36,278,702)	143,158,563
Sprinter / Mini bus (35 buses)	26,823,258	(9,805,096)	17,018,162
	<b>206,260,523</b>	<b>(46,083,798)</b>	<b>160,176,725</b>

#### Receivables from exchange and non-exchange transactions

GIPTN Fare Revenue	Note 3	2018 319,590
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#### Prepayments

Mercedes-Benz South Africa Ltd - maintenance contracts for buses	5	8,566,934
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#### Cash and cash equivalents

Cash and cash equivalents	8	85,327,656
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#### Liabilities

##### Provisions

Compensation liability GIPTN	18	(67,482,867)
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#### Unspent conditional grants

National: Public Transport Grant	19	(11,709,152)
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#### Trade and other payables from exchange transactions

GIPTN Compensation Accrual		(6,412,249)
George Link (Pty) Ltd		(25,133,741)
Department of Transport		(21,903,380)
George Link (Pty) Ltd retentions (including interest)		(9,390,627)
		<b>(62,839,997)</b>